

F I R S T

R E P O R T

FROM THE

SECRET COMMITTEE

ON

C O M M E R C I A L D I S T R E S S ;

WITH THE

M I N U T E S O F E V I D E N C E .

Ordered, by The House of Commons, to be Printed,
18 June 1843.

Veneris, 3^a die Decembris, 1847.

Ordered, THAT a Select Committee be appointed to inquire into the Causes of the recent Commercial Distress, and how far it has been affected by the Laws for regulating the Issues of Bank Notes payable on Demand.

Mercurii, 15^a die Decembris, 1847.

Committee nominated as follows:—

Mr. Chancellor of the Exchequer.
Sir Robert Peel.
Mr. Colder.
Mr. Herries.
Mr. Cayley.
Mr. Labouchere.
Mr. Disraeli.
Mr. Glyn.
Mr. Home Drummond.
Sir James Graham.
Mr. Thomas Baring.
Lord George Bentinck.
Mr. Beckett.

Mr. Alderman Thompson.
Mr. Hudson.
Mr. J. L. Ricardo.
Mr. James Wilson.
Mr. F. T. Baring.
Lord John Russell.
Mr. Spenser.
Mr. Goulburn.
Mr. Cardwell.
Mr. Hume.
Mr. Thorold.
Sir William Clay.
Mr. Tennent.

Ordered, THAT the said Committee have power to send for Persons, Papers and Records.

Ordered, THAT Five be the Quorum of the said Committee.

Ordered, THAT the Committee be a Committee of Secrecy.

Jovis, 8^a die Junii, 1848.

Ordered, THAT the Committee have power to report their Observations, together with the Minutes of Evidence, from time to time, to The House.

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FIRST REPORT.

THE SECRET COMMITTEE “appointed to inquire into the Causes of the recent COMMERCIAL DISTRESS, and how far it has been affected by the Laws for regulating the Issue of Bank Notes payable on Demand,” and who were empowered to Report from time to time to The House;—HAVE taken the subject fully into their consideration, and have agreed upon the following REPORT:—

IN obedience to the Order of the House, Your Committee have inquired into the matters referred to them, and having concluded their investigation so far as relates to England, have thought it advisable to report to The House their opinion on this branch of the subject, together with the Evidence.

To complete the labour entrusted to them, the inquiry must be extended to Scotland and Ireland, and the Committee will proceed on this duty without delay.

During the period of difficulty, deputations from Liverpool and Birmingham had communicated with the Government. Your Committee therefore thought it best to commence their inquiry by examining Mr. Hodgson and Mr. Turner from Liverpool, and Mr. Muntz and Mr. Salt from Birmingham.

Mr. Gurney, an eminent Bill-broker; Mr. Bates, of the firm of Baring Brothers, and Mr. Beavan, a London Banker, and selected by the London Bankers, were examined by the Committee, more especially with respect to the distress and difficulty which had been experienced in the Metropolis.

Mr. Birkbeck, a private Banker, selected by the Country Bankers, and Mr. Pease, connected with the Northern Coal Districts, were also examined in the course of our investigations.

Full evidence respecting the proceedings of the Bank were given to the Committee by Mr. Horsley Palmer, a Director; by the Governor and Deputy-Governor, and by Mr. Cotton, who was Governor of the Bank in 1844. The Bank has also furnished to the Committee much information, in the returns which will be found in the Appendix.

Lastly, the Committee thought it advisable to call before them Mr. Jones Loyd, Mr. Tooke and Mr. Taylor, gentlemen who are well known to have given much attention to our monetary system.

There has been a general concurrence of opinion amongst the Witnesses examined before Your Committee, that the primary cause of the Distress was the deficient harvest, especially of the potato crop, in the year 1846, and the necessity of providing the means of payment in the year 1847, for the unprecedented importations of various descriptions of Food which took place in that year.

Among other causes, the deficient supply of Cotton, the diversion of Capital from its ordinary employment in commercial transactions to the construction of Railroads, the undue extension of credit, especially in our transactions with the East, and exaggerated expectations of enlarged trade, have been stated, by some of the Witnesses, as having contributed to the same result.

Your Committee see no reason to doubt that these causes have in different degrees, in different parts of the country, produced the effect thus ascribed to them.

For the further development of the views entertained on these various points by the gentlemen whom they have examined, they must refer to the Evidence.

With regard to some of the circumstances above referred to, provision has already been made by Parliament, and it must be obvious that others are beyond the control of Legislative enactment.

Many of the Witnesses, including the Governor and Deputy-Governor of the Bank of England, have expressed their belief that earlier steps in the Autumn of 1846 and the Spring of 1847, on the part of the Bank of England, might have obviated the necessity for the more stringent measures which circumstances compelled the Directors to adopt in April, and might thus have prevented the alarm which was caused by those measures. The grounds on which that belief is entertained, together with the considerations which influenced the proceedings of the Bank, are explained in the Evidence of those Witnesses who were examined on this branch of the subject. It is one, in respect to which a wide discretion must necessarily be left with those who are charged with the management of the business of the Bank, and Your Committee trust that this discretion will be exercised with due prudence, if similar circumstances should again occur.

An opinion appears to have been entertained by some persons, though not by the Governor and Deputy-Governor of the Bank of England, that the Bank is released by the Act of 1844 from any obligation, except that of consulting the pecuniary interests of its Proprietors.

It is true that there are no restrictions imposed by law upon the discretion of the Bank, in respect to the conduct of the Banking, as distinguished from the Issue Department. But the Bank is a public institution, possessed of special and exclusive privileges, standing in a peculiar relation to the Government, and exercising, from the magnitude of its resources, great influence over the general mercantile and monetary transactions of the country.

These circumstances impose upon the Bank the duty of a consideration of the public interest, not indeed enacted or defined by Law, but which Parliament in its various transactions with the Bank has always recognized, and which the Bank has never disclaimed.

It

It is unnecessary to impose such duty by law, as there can be little doubt that the permanent interests of the Bank are identified with those of the Public at large.

That identity of interest gives both to the Public and to the Proprietors of Bank Stock a deep interest in every measure calculated to ensure an enlightened administration of the affairs of the Bank.

Your Committee have learnt, therefore, with satisfaction, that the attention of the Court of Directors has been given to this subject, and that a change has been made by them, as to the selection of the Governor and Deputy-Governor, calculated, in the opinion of Your Committee, to improve the constitution of the governing body of the Bank.

They feel confident that the effect of this change, and the experience which has been acquired during the events of the last two years, will ensure to the Public, in the future management of the Bank of England, greater benefits from this national establishment than it has hitherto been the means of conferring upon the country.

Your Committee have received, with deep regret, from many Witnesses, evidence of the extent of loss incurred by commercial houses in the course of last Autumn, from an unprecedented combination of the circumstances above referred to, and seriously aggravated by the want of confidence which prevailed in consequence of the numerous failures, and which induced Bankers and others to retain a reserve, both of Gold and of Bank-notes, to a very great extent. It is to be observed, that this took place with a very large amount of Notes in the hands of the Public, exceeding, in the opinion of a Witness most competent to form an opinion, by no less than £4,000,000, "the actual requirements of the public at the time."

The feeling of alarm which prevailed appears to have been immediately removed by the issue of the letter addressed to the Bank of England, on the 25th October, by the First Lord of the Treasury and the Chancellor of the Exchequer.

The issue of that letter was, no doubt, an extraordinary exercise of power on the part of the Government; but The House has decided that, in the peculiar circumstances of the period, they were justified in taking that step. It will be seen from the evidence of Mr. Cotton, the Governor of the Bank in 1844, that the possibility of circumstances arising, in which some extraordinary measures might be called for in consequence of a state of monetary crisis, was not unforeseen by the Government at the time when the Act of 1844 was passed.

The Evidence which has been given as to the effects of the Act of 1844, has been contradictory. Its beneficial effects, as regards the issues of the Country Banks, have been admitted by many of the Witnesses, and although some have suggested an alteration of its provisions, very few have contested the general principles on which it is founded.

Your Committee have had under their consideration, whether it is advisable that powers should be conferred by Law upon the Government, to enable them to meet the occurrence of any circumstances which may call for extraordinary interference; but they have come to the conclusion that, looking to the impossibility of foreseeing what the precise character of the circumstances may be, and also what may be the measure best calculated to meet them, it is more expedient to leave to those with whom the responsibility of the Government may rest at the time, to adopt such measures as may appear to them best suited for the emergency.

Your Committee, therefore, after a careful review of all the Evidence, are of opinion that it is not expedient to make any alteration in the Bank Act of 1844.

8 June 1848.

PROCEEDINGS OF THE COMMITTEE.

Veneris, 19^a die Maii, 1848.

MEMBERS PRESENT:

Mr. CHANCELLOR OF THE EXCHEQUER, in the Chair.

Sir James Graham.
Mr. Alderman Thompson.
Mr. Hume.
Mr. Cayley.
Mr. Spooner.
Mr. Herries.
Mr. Goulburn.

Mr. Darnell.
Mr. Thornely.
Mr. Glyn.
Mr. Hudson.
Sir W. Clay.
Lord G. Bentinck.
Mr. Wilson.

Committee deliberate.

Resolved,—"That the evidence respecting the English case is closed."

[Adjourned.]

Martis, 23^a die Maii, 1848.

Members Present:

Sir F. T. Baring, in the Chair.

Mr. Chancellor of the Exchequer.
Lord John Russell.
Mr. Labouchere.
Mr. Cayley.
Mr. Spooner.
Mr. Beckett.
Mr. Home Drummond.
Sir James Graham.
Mr. James Wilson.
Mr. Cardwell.
Mr. T. Baring.
Mr. Alderman Thompson.

Sir R. Peel.
Mr. Herries.
Mr. Darnell.
Mr. Thornely.
Sir W. Clay.
Mr. Glyn.
Mr. Hudson.
Mr. Goulburn.
Mr. Cobden.
Mr. Hume.
Mr. Ricardo.
Lord G. Bentinck.

Committee deliberate.

Motion made and Question proposed,—"That in the opinion of this Committee, the laws for regulating the issue of bank notes payable on demand have aggravated the commercial distress in England in the year 1847."—(Mr. Hume.)

[Adjourned till Friday.]

Veneris, 26^a die Maii, 1848.

Members Present:

Sir F. T. Baring, in the Chair.

Mr. Chancellor of the Exchequer.
Lord John Russell.
Sir James Graham.
Mr. Cayley.
Mr. Spooner.
Mr. Beckett.
Mr. Home Drummond.
Mr. T. Baring.
Mr. Hume.
Mr. Goulburn.
Mr. Cardwell.
Lord G. Bentinck.

Sir R. Peel.
Mr. Herries.
Mr. Darnell.
Mr. Thornely.
Sir W. Clay.
Mr. Alderman Thompson.
Mr. Glyn.
Mr. Hudson.
Mr. Wilson.
Mr. Ricardo.
Mr. Cobden.

Motion made and Question proposed,—“That in the opinion of this Committee, the laws for regulating the issue of bank notes payable on demand aggravated the commercial distress in England in the year 1847.”—(Mr. Husk.)

Question put,—“That this Resolution be agreed to.”

Ayes.

Mr. T. Baring.
Lord G. Bentinck.
Mr. Spooner.
Mr. Herries.
Mr. Cayley.
Mr. Alderman Thompson.
Mr. Hudson.
Mr. Hume.
Mr. Dismell.
Mr. Glyn.
Mr. James Wilson.

Noes.

Mr. Chancellor of the Exchequer.
Sir James Graham.
Sir Robert Peel.
Lord John Russell.
Mr. Cobden.
Mr. Beckett.
Mr. Goulburn.
Mr. Cardwell.
Mr. Labouchere.
Mr. J. L. Ricardo.
Mr. Thornely.
Sir W. Clay.
Mr. Home Drummond.

Noes, 13.

Ayes, 11.

So it passed in the negative.

Committee deliberate on the course of proceeding.

[Adjourned.]

Martis, 30^a die Maii, 1848.

Members Present :

Sir F. T. Baring, in the Chair.

Mr. Chancellor of the Exchequer.
Lord John Russell.
Mr. Labouchere.
Mr. Cayley.
Mr. Spooner.
Mr. Beckett.
Mr. Home Drummond.
Mr. T. Baring.
Mr. Cobden.
Lord G. Bentinck.
Mr. Goulburn.
Sir James Graham.

Sir R. Peel.
Mr. Herries.
Mr. Dismell.
Mr. Thornely.
Sir W. Clay.
Mr. Alderman Thompson.
Mr. Glyn.
Mr. Hudson.
Mr. Wilson.
Mr. Hume.
Mr. Cardwell.
Mr. Ricardo.

The Draft of Report, as proposed by the Chancellor of the Exchequer, was read a first time, as followeth :

1. “There has been a very general concurrence of opinion amongst the Witnesses examined before your Committee, that the principal cause of the Distress was the high price of Grain in the years 1846 and 1847, and the necessity of providing the means of payment for very large importations of various descriptions of Food.

2. “Among other causes, the high price of Cotton, the diversion of Capital from its ordinary employment in commercial transactions to the construction of Railroads, the undue extension of credit, especially in our transactions with the East, and exaggerated expectations of enlarged trade, have been stated as having contributed to the same result.

3. “Your Committee see no reason to doubt that these causes have in different degrees, in different parts of the country, produced the effect thus ascribed to them.

4. “For the further development of the views entertained on these various points by the gentlemen whom they have examined, they must refer to the evidence.

5. “With regard to some of the circumstances above referred to, provision has already been made by Parliament, and it must be obvious that others are beyond the control of legislative enactment.

6. “Many of the Witnesses, including the Governor and Deputy-Governor of the Bank of England, have expressed their belief that earlier steps in the Autumn of 1846 and Spring of 1847, on the part of the Bank of England, might have obviated the necessity for the more stringent measures which circumstances compelled them to adopt in April, and might thus have prevented the alarm which was caused by those measures. The grounds on which that belief is entertained, together with the consideration which influenced the proceedings of the Bank, are fully explained in the Evidence of those Witnesses who were examined on this branch of the subject. It is one, in respect to which a wide discretion must necessarily be left

left with those who are charged with the management of the business of the Bank, and Your Committee trust that this discretion will be exercised with due prudence, if similar circumstances should again occur.

7. "An opinion appears also to have been entertained by some parties, though not by the Governor and Deputy-Governor of the Bank of England, that the Bank is released by the Act of 1844 from any obligation, except that of consulting the pecuniary interests of their Proprietors.

8. "It is true that there are no restrictions imposed by law upon the discretion of the Bank, in respect to the conduct of the Banking, as distinguished from the Issue Department. But the Bank is a public institution, possessed of special and exclusive privileges, standing in a peculiar relation to the Government, and exercising, from the magnitude of its resources, great influence over the general mercantile and monetary transactions of the country.

9. "These circumstances impose a responsibility, not indeed enacted or defined by law, but which Parliament in its various transactions with the Bank has always recognized, and which the Bank has never disclaimed.

10. "It is the less necessary to impose any such legal responsibility; for there can be little doubt that the permanent interests of the Bank are closely identified with those of the Public at large.

11. "That identity of interest gives both to the Public and to the Proprietors of Bank Stock a deep interest in every measure calculated to ensure an enlightened administration of the affairs of the Bank.

12. "Your Committee have learnt, therefore, with great pleasure, that the attention of the Court of Directors has been given to this subject, and that changes have been made, calculated, in the opinion of Your Committee, to improve the constitution of the governing body of the Bank.

13. "They feel confident that the effect of these changes, and the experience which has been acquired during the events of the last two years, will ensure to the Public, in the future management of the Bank of England, greater benefits from this great national establishment than it has already been the means of conferring upon the country.

14. "Your Committee have received, with deep regret, from many Witnesses, evidence of the extent of loss incurred by commercial houses in the course of last Autumn, from an unprecedented combination of the circumstances above referred to, and seriously aggravated by the want of confidence which prevailed in consequence of the numerous failures, and which induced Bankers and others to retain a reserve, both of Gold and of Bank-notes, to a very great extent. It is to be observed, that this took place with a very large amount of Notes in the hands of the Public, exceeding, in the opinion of a Witness most competent to form an opinion, by no less than £. 4,000,000, "the actual requirements of the public at the time."

15. "This feeling of distrust appears to have been removed by the issue of the letter addressed to the Bank of England, on the 25th October, by the First Lord of the Treasury and the Chancellor of the Exchequer.

16. "Your Committee cannot but consider the issuing of that letter as an extraordinary exercise of power on the part of the Government; but they are of opinion that, in the peculiar circumstances of the period, they were warranted in taking that step. The possibility of circumstances arising, in which some extraordinary measure might be called for in consequence of a state of monetary crisis, had not been unforeseen by men of great authority upon subjects of this description, or by the Government at the time when the Act of 1844 was passed.

17. "The Evidence which has been given as to the effects of the Act of 1844, has been contradictory. Its beneficial effects, as regards the issues of the Country Banks, have been admitted by many of the Witnesses, and although some have suggested an alteration of its provisions, very few have contested the general principles on which it is founded.

18. "Your Committee, after a careful review of all the Evidence upon this part of the subject, are of opinion that it is not expedient to make any alteration in the provisions of that Act.

19. "Your Committee have had under their consideration, whether it is advisable that powers should be conferred by Law upon the Government, to enable them to meet the possibility of the occurrence of any circumstances which may call for extraordinary interference; but they have come to the conclusion that, looking to the impossibility of foreseeing what the precise character of the circumstances may be, and also what may be the measure best calculated to meet them, it is more expedient to leave to those with whom the responsibility of the Government may rest at the time, to adopt such measures as may appear to them best suited for the emergency."

The Draft of Resolutions, as proposed by Mr. Copley, was read a first time, as followeth

1. "That it has been shown to the satisfaction of the Committee that the Bank Charter Act of 1844, if not the proximate cause of the late and still existing commercial distress, so increased its intensity as (more especially in the last autumn) to convert the pressure into

a panic; to the paralyzing consequences of which the mercantile public, solvent and insolvent, were alike exposed, until relieved by the Treasury Letter of October 25; which operated instantaneously in mitigating its disastrous effects.

2. "That scarcity of food, and its high price (although doubtless productive of much individual privation, especially under severe Banking restrictions, which lead at once to the disemployment of labour) do not necessarily produce a monetary crisis, as is proved by the case of 1800,—the year of greatest scarcity in the present century, when all classes were reduced to a very diminished consumption of bread-corn, but when no monetary pressure occurred; notwithstanding that the average price of wheat in that year was 113s. a quarter, 42s. higher than the average price of 1847, which did not exceed 76s. a quarter. In the first instance, owing to the absence of a simultaneous monetary pressure, the employment of labour suffered little or no interruption; while, in the latter instance, the pressure arising out of our present monetary system checked production and the employment of labour at the very moment when great losses, from natural causes, were most requisite to be supplied, and thus directly aggravated and prolonged the distress.

3. "That if Railways had caused the Commercial Distress, it could only have been by their absorbing part of the capital usually devoted to manufacturing and commercial production, which must probably have led to a diminished supply of goods, and to a rise in their price, which symptom failed to exhibit itself, notwithstanding a scanty supply of raw materials. Neither did the rate of interest increase until the Bank of England commenced its course of restriction early in 1847, to meet the drain of bullion for the payment of foreign coin. Whilst, in contradiction to the hypothesis that Railway investments caused the scarcity of money in 1847, there is this remarkable fact, that the rate of interest in the discount market is at this moment only about three per cent., in spite of Railway calls being as large as ever.

4. "That the working classes are the heaviest sufferers from monetary derangements, in consequence of the destruction of that credit and confidence on which commercial transactions are based, and by which the employment of labour is sustained.

5. "That a complete restoration of confidence and employment cannot be anticipated so long as the Manufacturing, Trading and Mercantile interests have reason to apprehend a repetition of the pressures and panics of 1847, which, while the Act of 1844 remains in operation, a system of free imports must tend to accelerate and multiply.

6. "That the frequent alternations of prosperity and adversity which this country has experienced since the war, are mainly traceable to sudden and violent oscillations in the value of money—the necessary offspring of the monetary system we established on the return of peace, which rests the profits of trade and the wages of labour on the accidental variations in the supply of gold; the extreme severity of which system towards our trade and industry the Act of 1844, for the first time, made it impossible for the Bank of England to mitigate or evade.

7. "That, therefore, if it be desirable to restore a more lasting prosperity to trade, with its concomitant blessings of better employment and greater comfort and contentment to the people, no time should be lost in repealing laws which directly contribute to monetary derangements, and in enacting others which may offer some assurance that the natural risks of capital embarked in commerce shall not be artificially increased by constant fluctuations in the value of money; and that prudent adventure and honest industry shall not be disappointed of their fair reward."

The Draft of Resolutions, as proposed by Mr. Spooner, was read a first time, as followeth:

1. "That the standard of value established by the Act of 1816, and called into action in the year 1819, was not the ancient standard of value existing previous to the year 1797.

2. "That the ancient standard of value was gold and silver coin jointly, protected by the heaviest penalties against reconversion into bullion, and against exportation. Silver in tale was a legal tender to an unlimited amount, with the exception of nine years, namely, from 1774 to 1783; when in tale, it was limited to £.25, but in weight continued unlimited; at the same time all the coin in circulation was greatly debased, but still was legal tender in all payments.

3. "That the standard brought into operation in 1819 is a single standard of gold, at £.3. 17s. 10½d. per ounce, convertible into bullion, and free to be exported at the will of the holder, silver being a legal tender for 40s. only.

4. "That in 1811, in consequence of the Report of the Bullion Committee of 1810, a proposition, having for its object to obtain from Parliament the recognition of the depreciation, which had then reached an alarming point, and a pledge to return to the ancient standard of value, was negatived; the fact of depreciation being denied, the facility of pledging Parliament to return to a point whence Parliament declared there had been no departure, followed as a matter of course.

5. "That had not this proposition of the Bullion Committee been negatived by the House of Commons in 1811, it is not to be supposed that the country would have submitted to the heavy taxation of the time; that settlements would have been made, or debts contracted without reference to future changes in the value of money. It is now admitted that money was depreciated 20 per cent. When the Report of the Bullion Committee was under

under consideration, it was strenuously asserted that no depreciation had taken place, and that there was no departure from the ancient standard; it being thus contended that there was no departure from the ancient standard, and this being affirmed by a vote of the House of Commons, the return to the standard could not then have been contemplated. The debtor interest, consequently, could not have contemplated that its burdese would be so much augmented, nor could the creditor interest have anticipated receiving payment in a currency which should possess so great an increased exchangeable value.

6. "That every attempt to carry out the gold standard has been found impracticable, as is proved by the distress occasioned by the preparation for so doing in 1816, as well as by the passing of the Bill in the year 1819, which enforced that attempt—which distress was only mitigated by the permission which was given in 1822 to continue the circulation of one and two pound notes until 1833; by a Government loan in aid of the agricultural classes; and also by permitting an operation with respect to pensions, commonly called the 'Dead Weight.'

7. "That the relief produced by these measures brought on the hollow prosperity of 1823, 1824 and 1825, and forced prices above the level at which gold could be retained in this country; gold was consequently exported, and the Bank was compelled again to limit the issues of its notes. The distress which had been witnessed in 1822 returned with accumulated force, and a reduction of prices to a ruinous extent took place, forcing an equally ruinous exportation of goods, which again brought back the gold.

8. "That the exchanges being thus turned in favour of this country, the Bank of England again increased its issues; but credit had received so great a shock, and the commercial and manufacturing interests were so deeply injured, that general prosperity was not restored till the year 1826, to be again followed by a panic at the end of that year, which continued till Midsummer 1827; and another panic in 1839, all to be traced to the same causes, and which again produced such great distress, that in 1842 Sir Robert Peel, the Prime Minister, declared that indirect taxation had reached its limit.

9. "That the Bill of 1844 was enacted for the purpose of compelling the Bank of England to regulate its issues strictly in accordance with the state of the exchanges, and by this means to retain so large an amount of gold in its coffers as to ensure the convertibility of the notes of that establishment.

10. "That the failure of the potato crop in 1846 caused a great increase in the importations of foreign grain, as well as of other produce, and these imports were further increased by the adoption of free trade principles. In consequence of these extra imports gold was exported, and the reserve of notes in the banking department of the Bank of England was reduced from about nine millions in December 1846 to two millions and a half in April 1847. This sudden reduction compelled the Bank of England to contract its issues, in order to regain its position. On October 25d, the time of the greatest pressure, the Bank held more than eight millions of bullion in its vaults, and while the whole of the commercial and manufacturing interests and the labouring population were brought into the greatest distress, amounting to an almost total cessation of business, the bullion in the vaults of the Bank was, by the Act of 1844, in this emergency, rendered perfectly useless; the Bank, however, was instantly relieved from its difficulties by the Government letter of the 26th of October, and the pressure instantly mitigated, but the industrial powers of the nation have been so deranged, that up to this time vast numbers of the population remain out of employment.

11. "That so long as the Bill of 1819 remains in force, these alternations of prosperity and adversity will continue. That a remedy at once easy and safe would be found in the creation of a National Paper Money, to be issued in the gradual repayment of the debt due from the Government to the Bank of England; in the payment of the dividends and Government annual expenses;—the issue of the National Paper to be limited to the amount required for these purposes; such paper money should be of convenient amounts for general circulation and for the payment of taxes, and should be a legal tender in all payments. This national money cannot but maintain an equable value, so long as its issue is limited in the manner above described, and so long as the Government is compelled to receive it in payment of taxes.

12. "That there should also be for the purpose of foreign trade a Mint Bank, to be supported at the public expense, where bullion should be received, and for which notes, payable in bullion, should be issued; silver should be made a legal tender to the extent of five pounds in the present coinage, and by weight to any amount.

13. "That the professed object of the promoters of the Acts now in force for the regulation of the Currency, has been to secure a medium of exchange, which, in its influence on the value of commodities, should be steady and uniform. That sudden and extreme fluctuations in money values have always been deplored as great evils to all classes of society, and especially to the labouring population. That the evidence which has been given before this Committee, establishes the fact that not only are the Acts now in force powerless to prevent extreme fluctuations, but that they are the fruitful source of those evils, rendering all trading and mercantile undertakings unsafe, and bringing, in a vast number of cases, total ruin upon those who contract monetary obligations in reliance upon the continued value, either of money or commodities.

14. "That, in the opinion of this Committee, the immediate attention of the Legislature should be directed to the adoption of such measures as will secure a monetary system adapted to the vastly increased transactions and augmented population of the United Kingdom. That the existing system has inflicted, and is at this time inflicting, great social evils upon society at large, and that it has endangered, and is still endangering, the maintenance of good order, by destroying the demand for labour, occasioning universal commercial stagnation and general pauperism. That in the event of the occurrence of war in any part of Europe, which, from the present state of the Continent, is much to be apprehended, such a demand for bullion would undoubtedly arise as would lead to the derangement of all monetary affairs in England; and should this country, in consequence of the treaties to which it has been a party, be directly involved in a war, the evils of the present monetary system would become intolerable, and all those regulations which Parliament has so strenuously endeavored to maintain would be at once swept away; and in the midst of a dissatisfied people, with the increased difficulty of maintaining peace and order, the proper and judicious settlement of an important question would be rendered, if not impossible, far more difficult than it is at present."

15. "That in the opinion of this Committee, the full and impartial consideration of the monetary policy of England, and its effects upon the trading and mercantile interests, not only in this country but also in all the dependencies of the British Crown, has been improperly neglected by the Legislature. That a fair and candid discussion of this vital question has been obstructed by the leading members of successive administrations having unjustly attributed to the advocates of monetary reform designs against the interest of the public creditor and the good faith of the country. That such charges are manifestly and palpably without foundation; and that, on the contrary, it is an undoubted fact, that danger to the public creditor can only arise from an obstinate perseverance in a monetary system, so restrictive in its character, as to render it impossible to obtain such an amount of revenue as is required for the payment of the interest of the national debt, and for the support of the State. That every effort to carry out the existing system to its full extent has been followed by a serious diminution in the national revenue, by urgent demands for the reduction of taxation, and by violent discussions amongst the different orders of society, between whom the maintenance of perfect sympathy and mutual confidence is essential for the preservation of public faith, and of the institutions of the country."

Question proposed,—“That the Draft of Report, as proposed by the Chancellor of the Exchequer, be read a second time, paragraph by paragraph.”

An Amendment was proposed, to leave out all the words after the first word “That,” for the purpose of inserting, “it is the opinion of this Committee that the Draft of a Report prepared by the Chancellor of the Exchequer is not in accordance with the evidence which this Committee has received; more especially with respect to that part of the order of reference to us, in which we are directed to inquire how far the commercial distress in the year 1847 was affected by the laws for regulating the issue of bank notes payable on demand.” (Mr. Harries.)

The Question was put,—“That the words proposed to be left out stand part of the question.”

The Committee divided.

Ayes.
Mr. Chancellor of the Exchequer.
Sir James Graham.
Sir Robert Peel.
Lord John Russell.
Mr. Cobden.
Mr. Beckett.
Mr. Goulburn.
Mr. Labouchere.
Mr. Thoresby.
Mr. James Wilson.
Sir W. Clay.
Mr. Home Drummond.

Ayes, 12.

Noes.
Mr. Thomas Baring.
Lord George Bentinck.
Mr. Spooner.
Mr. Harries.
Mr. Cayley.
Mr. Alderman Thompson.
Mr. Hudson.
Mr. Hume.
Mr. Disraeli.
Mr. Glyn.

Noes, 10.

So it was resolved in the affirmative.

The first paragraph of the Report was read.

An amendment was proposed to be made to the paragraph, by inserting after the word “food,” at the end of the paragraph, the following words: “But the Act of the Chancellor of the Exchequer, in taking for the public service so large a portion of the revenue of the Bank in April, had caused alarm; and, co-existent with the restrictions of the Act of 1844, greatly aggravated that distress in the October following.”—(Mr. Hume.)

The Question was put,—“That these words be inserted.”

The

The Committee divided.

Ayes.
Mr. Thomas Baring.
Lord George Bentinck.
Mr. Cayley.
Mr. Hudson.
Mr. Home.
Mr. Disraeli.

Noes.
Mr. Chancellor of the Exchequer.
Sir James Graham.
Sir Robert Peel.
Lord John Russell.
Mr. Cobden.
Mr. Spooner.
Mr. Herries.
Mr. Beckett.
Mr. Goulburn.
Mr. Alderman Thompson.
Mr. Labouchere.
Mr. J. L. Ricardo.
Mr. Thorneley.
Mr. Glyn.
Sir W. Clay.
Mr. Home Drummond.

Noes, 16.

Ayes, 6.

So it passed in the negative.

Several verbal amendments were made to the paragraph.

Another amendment was proposed to be made, by inserting at the end of the first paragraph these words, "and that that distress was greatly aggravated by the restrictive clauses of the Act of 1844, relative to the issue of notes by the Bank of England."—(Mr. Spooner.)

The question was put, "That these words be inserted."

The Committee divided.

Ayes.
Mr. Thomas Baring.
Lord George Bentinck.
Mr. Spooner.
Mr. Herries.
Mr. Cayley.
Mr. Alderman Thompson.
Mr. Hudson.
Mr. Home.
Mr. Disraeli.
Mr. Glyn.

Noes.
Mr. Chancellor of the Exchequer.
Sir James Graham.
Sir Robert Peel.
Lord John Russell.
Mr. Cobden.
Mr. Beckett.
Mr. Goulburn.
Mr. Labouchere.
Mr. J. L. Ricardo.
Mr. Thorneley.
Mr. Wilson.
Sir W. Clay.
Mr. Home Drummond.

Noes, 12.

Ayes, 10.

So it passed in the negative.

The first paragraph was again read as amended, and agreed to.

The second paragraph was read a second time.

An amendment was made in the first line, by leaving out "high prices," and inserting "deficient supply."

Another amendment was made, by inserting after the word "stated," these words, "some of the witnesses."—(Mr. Chancellor of the Exchequer.)

Another amendment was proposed to be made to the paragraph, by inserting after the last amendment these words, "Examined, but contradicted by others."—(Mr. Spooner.)

Question put,—"That these words be inserted."

The Committee divided.

Ayes.
Lord George Bentinck.
Mr. Spooner.
Mr. Cayley.
Mr. Alderman Thompson.
Mr. Hudson.
Mr. Home.
Mr. Glyn.

Noes.
Mr. Chancellor of the Exchequer.
Sir James Graham.
Sir Robert Peel.
Mr. Cobden.
Mr. Herries.
Mr. Beckett.
Mr. Goulburn.
Mr. Cardwell.
Mr. Labouchere.
Mr. Disraeli.
Mr. Thorneley.
Mr. James Wilson.
Sir W. Clay.
Mr. Home Drummond.

Noes, 14.

Ayes, 7.

So it passed in the negative.

Question put,—“That the Committee agree to the paragraph as amended.”

An amendment was proposed to be made to the question, by leaving out all the words after the first word “That,” for the purpose of inserting these words, “That neither the scarcity of cotton nor the investment of a large amount of capital in railways, nor any unusual degree of overtrading, can be stated to have mainly contributed to the same result; the disasters in the East India trade having been in a great degree caused by Acts of the Legislature, which had so depressed the price of Colonial produce, and with it the value of property in part of our Eastern possessions, that the East India Houses were disabled from sustaining the monetary pressure of 1847.”—(Mr. Cayley.)

Question put,—“That the words proposed to be left out stand part of the question.”

It was resolved in the affirmative.

Question again put,—“That the Committee agree to the paragraph as amended.”

The Committee divided.

Ayes.
Mr. Chancellor of the Exchequer.
Sir James Graham.
Sir Robert Peel.
Mr. Cobden.
Mr. Beckett.
Mr. Goulburn.
Mr. Cardwell.
Mr. Labouchere.
Mr. Hume.
Mr. Thornely.
Mr. James Wilson.
Sir W. Clay.
Mr. Home Drummond.

Ayes, 13.

Noes.
Lord George Bentinck.
Mr. Spooner.
Mr. Herries.
Mr. Cayley.
Mr. Alderman Thompson.
Mr. Hudson.
Mr. Disraeli.
Mr. Glyn.

Noes, 8.

So it was resolved in the affirmative.

The second paragraph read, and agreed to as amended.

[Adjourned.]

Veneris, 2^a die Junii, 1848.

Members Present:

Sir F. T. Baring, in the Chair.

Mr. Chancellor of the Exchequer.
Lord John Russell.
Mr. Labouchere.
Mr. Hume.
Mr. Cayley.
Mr. Spooner.
Mr. Beckett.
Mr. Cobden.
Mr. T. Baring.
Mr. Home Drummond.
Mr. J. L. Ricardo.
Mr. Goulburn.

Sir Robert Peel.
Mr. Herries.
Mr. Disraeli.
Mr. Thornely.
Sir W. Clay.
Mr. Alderman Thompson.
Mr. Glyn.
Mr. Hudson.
Mr. Wilson.
Mr. Cardwell.
Sir James Graham.
Lord George Bentinck.

The third paragraph was again read.

Question put,—“That this paragraph be agreed to.”

Ayes.
Mr. Chancellor of the Exchequer.
Sir Robert Peel.
Mr. T. Baring.
Mr. Cobden.
Mr. Beckett.
Mr. Labouchere.
Mr. J. L. Ricardo.
Mr. Thornely.
Mr. Home Drummond.

Ayes, 9.

Noes.
Mr. Spooner.
Mr. Herries.
Mr. Cayley.
Mr. Hume.
Mr. Disraeli.
Mr. Glyn.

Noes, 6.

So it was resolved in the affirmative.

The fourth paragraph was again read.

An amendment was proposed, instead of this paragraph, to insert, “Your Committee are of opinion, that in consequence of the habitual over-trading of this country, it is not expedient to pass any further laws to stimulate commercial enterprise.”—(Mr. Disraeli.)

Amendment,

Amendment, by leave, withdrawn.

Question put,—“That the fourth paragraph be agreed to.”

Ayes.	Noes.
Mr. Chancellor of the Exchequer.	Mr. Spooner.
Sir James Graham.	Mr. Herries.
Sir Robert Peel.	Mr. Cayley.
Mr. T. Baring.	Mr. Hudson.
Lord John Russell.	Mr. Hume.
Mr. Cobden.	Mr. Darnell.
Mr. Beckett.	
Mr. Goulburn.	
Mr. Cardwell.	
Mr. Labouchere.	
Mr. J. L. Ricardo.	
Mr. Thornely.	
Mr. Glyn.	
Mr. James Wilson.	
Sir W. Clay.	
Mr. Home Drummond.	
Ayes, 16.	Noes, 6.

So it was resolved in the affirmative.

The fifth paragraph was again read.

Question put,—“That this paragraph be agreed to.”

The Committee divided.

Ayes.	Noes.
Mr. Chancellor of the Exchequer.	Mr. T. Baring.
Sir James Graham.	Mr. Spooner.
Sir Robert Peel.	Mr. Herries.
Lord John Russell.	Mr. Cayley.
Mr. Cobden.	Mr. Alderman Thompson.
Mr. Beckett.	Mr. Hudson.
Mr. Goulburn.	Mr. Hume.
Mr. Cardwell.	Mr. Darnell.
Mr. Labouchere.	Mr. Glyn.
Mr. J. L. Ricardo.	
Mr. Thornely.	
Mr. James Wilson.	
Sir W. Clay.	
Mr. Home Drummond.	
Ayes, 14.	Noes, 9.

So it was resolved in the affirmative.

The sixth paragraph was again read.

An amendment was proposed, after the word “might” in 3d line, to insert “possibly.”

Question put, and negatived.

Another amendment was proposed, to leave out “this discretion will be exercised,” for the purpose of inserting, “that the law may be so altered, as to enable them to exercise this discretion,” instead thereof.—(Mr. Herries.)

Question put,—“That the words proposed to be left out stand part of the paragraph.”

The Committee divided.

Ayes.	Noes.
Mr. Chancellor of the Exchequer.	Mr. T. Baring.
Sir James Graham.	Lord G. Bentinck.
Sir Robert Peel.	Mr. Spooner.
Lord John Russell.	Mr. Herries.
Mr. Cobden.	Mr. Cayley.
Mr. Beckett.	Mr. Alderman Thompson.
Mr. Goulburn.	Mr. Hudson.
Mr. Cardwell.	Mr. Hume.
Mr. Labouchere.	Mr. Darnell.
Mr. J. L. Ricardo.	Mr. Glyn.
Mr. Thornely.	
Mr. James Wilson.	
Sir W. Clay.	
Mr. Home Drummond.	
Ayes, 14.	Noes, 10.

An amendment was made, by leaving out the word "fally" in the 8th line.

Another amendment was proposed to be made, by adding these words to the end of the paragraph: "Your Committee, however, is bound to add, that the majority of the witnesses blame the Act of 1844, rather than the conduct of the Directors of the Bank, as the cause of the calamities of 1847. There are also other witnesses who contend that stringent measures on the part of the Bank in the autumn of 1844 might have seriously interfered with the supply of foreign corn, which was required to meet the deficiency of the potato crop of 1844."—(Mr. Cayley.)

Question put,—“That these words be inserted.”

The Committee divided.

Ayes.
Mr. T. Baring.
Lord G. Bentinck.
Mr. Spooner.
Mr. Herries.
Mr. Cayley.
Mr. Alderman Thompson.
Mr. Hudson.
Mr. Hume.
Mr. Diersell.
Mr. Glyn.

Ayes, 10.

Noes.
Mr. Chancellor of the Exchequer.
Sir James Graham.
Sir Robert Peel.
Lord John Russell.
Mr. Cobden.
Mr. Beckett.
Mr. Goulburn.
Mr. Cardwell.
Mr. Labouchere.
Mr. J. L. Ricardo.
Mr. Thornely.
Mr. James Wilson.
Sir W. Clay.
Mr. Home Drummond.

Noes, 14.

So it passed in the negative.

Sixth paragraph, as amended, read, and agreed to.

Seventh paragraph again read.

An amendment was proposed, to insert at the beginning of the paragraph these words, "In consequence of a misconception of the statement made when the Bank Act of 1844 was first introduced into the House of Commons."—(Mr. Diersell.)

Question put,—“That these words be inserted.”

The Committee divided.

Ayes.
Mr. T. Baring.
Lord G. Bentinck.
Mr. Spooner.
Mr. Herries.
Mr. Cayley.
Mr. Alderman Thompson.
Mr. Hudson.
Mr. Hume.
Mr. Diersell.
Mr. Glyn.

Ayes, 10.

Noes.
Mr. Chancellor of the Exchequer.
Sir James Graham.
Sir Robert Peel.
Lord John Russell.
Mr. Cobden.
Mr. Beckett.
Mr. Goulburn.
Mr. Cardwell.
Mr. Labouchere.
Mr. J. L. Ricardo.
Mr. Thornely.
Mr. James Wilson.
Sir W. Clay.

Noes, 13.

So it passed in the negative.

An amendment was made, by leaving out "parties," and inserting "persons" instead thereof.

Seventh paragraph, as amended, read, and agreed to.

Eighth paragraph again read, and agreed to.

Ninth paragraph again read.

An amendment was proposed, to leave out "a responsibility," for the purpose of inserting, "upon the Bank the duty of a consideration for the public interests."—(Mr. Beckett.)

Question

Question put,—“That the words proposed to be left out stand part of the paragraph.”

Ayes.
Mr. Chancellor of the Exchequer.
Sir James Graham.
Sir Robert Peel.
Lord J. Russell.
Mr. Goulburn.
Mr. Cardwell.
Mr. Labouchere.
Mr. Thorneley.
Mr. James Wilson.
Sir W. Clay.

Ayes, 10.

So it passed in the negative.

Proposed words added.

Ninth paragraph, as amended, read and agreed to.

Tenth paragraph again read.

Several amendments made, paragraph agreed to as followeth:—“It is unnecessary to impose such duty by law, as there can be little doubt that the permanent interests of the Bank are identified with those of the public at large.”

Eleventh paragraph read, and agreed to.

Twelfth paragraph read.

Noes.
Mr. T. Baring.
Mr. Cobden.
Lord George Bentinck.
Mr. Spooner.
Mr. Herries.
Mr. Beckett.
Mr. Cayley.
Mr. Alderman Thompson.
Mr. Hudson.
Mr. Hume.
Mr. Disraeli.
Mr. Glynn.

Noes, 12.

[Adjourned.]

Martis, 6^e die Junii, 1848.

Members Present :

Sir F. T. BARING, in the Chair.

Mr. Chancellor of the Exchequer.
Lord J. Russell.
Mr. Labouchere.
Mr. Cayley.
Mr. Spooner.
Mr. Wilson.
Mr. Cobden.
Mr. Beckett.
Mr. Home Drummond.
Mr. Cardwell.
Mr. Goulburn.

Sir R. Peel.
Mr. Disraeli.
Mr. Thorneley.
Sir W. Clay.
Mr. Alderman Thompson.
Mr. Glynn.
Mr. Hudson.
Lord G. Bentinck.
Mr. Ricardo.
Sir James Graham.
Mr. Hume.

Twelfth paragraph again read; verbal amendments made; paragraph agreed to.

Thirteenth paragraph again read; some verbal amendments made.

An amendment was proposed to be made by adding at the end of the paragraph the following words:—“It would greatly tend, in the opinion of Your Committee, to enabling the Bank to confer such benefits on the public, that there should prevail among the mercantile classes of the community a clear perception of the position in which the Bank is placed by the Act of 1844: That they should distinctly understand it is to the banking department of the Bank alone they must henceforth look for banking facilities; and that the amount of such facilities must—as in the case of all non-lending banks—be limited by the amount of the capital of the Bank, and the deposits entrusted to its charge.”—(Sir W. Clay.)

An amendment was proposed to be made to the said amendment, by leaving out all the words after the word “to,” for the purpose of inserting—“the safety of the public, if there should prevail among the mercantile and working classes of the community a clear perception of the position in which they stand under the Act of 1844: That they should distinctly understand that when the gold is exhausted in the coffers of the Bank every merchant and manufacturer is to suspend his operations, and every artisan and labourer

is to remain idle, without work and without wages, until the gold be restored to the coffers of the Bank."

Question put,—*"That the words of the first amendment proposed to be left out, stand part of the question."*

It was resolved in the affirmative.

Question put,—*"That the proposed words be added at the end of the 13th paragraph."*

It passed in the negative.

Thirteenth paragraph agreed to, as amended.

Fourteenth paragraph again read.

An amendment was proposed to be made by leaving out the words *"numerous failures,"* for the purpose of inserting these words, *"restrictions of the Bank Act,"* instead thereof.—(Mr. Dimsell.)

Question put,—*"That the words proposed to be left out stand part of the paragraph."*

The Committee divided.

Ayes.
Mr. Chancellor of the Exchequer.
Sir James Graham.
Sir Robert Peel.
Lord J. Russell.
Mr. Cobden.
Mr. Beckett.
Mr. Goulburn.
Mr. Cardwell.
Mr. Labouchere.
Mr. J. L. Ricardo.
Mr. Thorold.
Mr. James Wilson.
Sir W. Clay.
Mr. Home Drummond.

Ayes, 14.

Noes.
Mr. Spooner.
Mr. Cayley.
Mr. Alderman Thompson.
Mr. Hudson.
Mr. Dimsell.
Mr. Glyn.

Noes, 6.

So it was resolved in the affirmative.

Another amendment was proposed to be made to the paragraph, by inserting after the word *"failures"* these words:—*"and by the apprehension created by the provisions of the Act 7 & 8 Vict., prohibiting, under any circumstances, an increase in the amount of notes issued on securities."*—(Mr. Glyn.)

Question put,—*"That these words be here inserted."*

Ayes.
Lord George Bentinck.
Mr. Spooner.
Mr. Beckett.
Mr. Cayley.
Mr. Alderman Thompson.
Mr. Hudson.
Mr. Dimsell.
Mr. Glyn.

Ayes, 6.

Noes.
Mr. Chancellor of the Exchequer.
Sir James Graham.
Sir Robert Peel.
Lord J. Russell.
Mr. Cobden.
Mr. Goulburn.
Mr. Cardwell.
Mr. Labouchere.
Mr. J. L. Ricardo.
Mr. Thorold.
Mr. James Wilson.
Sir W. Clay.
Mr. Home Drummond.

Noes, 13.

So it passed in the negative.

Question put,—*"That the 14th paragraph be agreed to."*

It was resolved in the affirmative.

Paragraph 15 was again read.

An amendment was proposed, at the end of the paragraph, to insert the words following:—*"A proof, in the opinion of Your Committee, that the commercial embarrassment and panic of the last Autumn is mainly attributable to the restrictive clauses of the Act of 1844, the operation of which was virtually suspended by the letter in question."*—(Mr. Cayley.)

Question put,—*"That these words be added at the end of the paragraph."*

The Committee divided.

Ayes.

Ayes.
 Lord George Bentinck.
 Mr. Spooner.
 Mr. Cayley.
 Mr. Alderman Thompson.
 Mr. Hudson.
 Mr. Hume.
 Mr. Disraeli.
 Mr. Glynn.

Ayes, 8.

Noes.
 Mr. Chancellor of the Exchequer.
 Sir James Graham.
 Sir Robert Peel.
 Lord John Russell.
 Mr. Cobden.
 Mr. Beckett.
 Mr. Goulburn.
 Mr. Cardwell.
 Mr. Labouchere.
 Mr. J. L. Ricardo.
 Mr. Thorneley.
 Mr. James Wilson.
 Sir W. Clay.
 Mr. Home Drummond.
Noes, 14.

So it passed in the negative.

Question put,—“That the 16th paragraph be agreed to.”

It was resolved in the affirmative.

Paragraph 16 was again read.

An amendment was proposed, to insert at the commencement of the paragraph these words :
 “The issue of that letter was no doubt an extraordinary exercise of power on the part of the Government ; but the House has decided, that in the peculiar circumstances of the period they were justified in taking that step.”—(Mr. Disraeli.)

Question put,—“That these words be inserted.”

It was resolved in the affirmative.

Question put,—“That the following words, ‘By men of great authority upon subjects of this description,’ stand part of the Report.”

It passed in the negative.

An amendment was proposed to be made to the paragraph, by leaving out these words,
 “by the Government.”—(Lord George Bentinck.)

Question put,—“That these words stand part of the Report.”

The Committee divided.

Ayes.
 Mr. Chancellor of the Exchequer.
 Sir James Graham.
 Sir Robert Peel.
 Lord John Russell.
 Mr. Cobden.
 Mr. Spooner.
 Mr. Beckett.
 Mr. Goulburn.
 Mr. Cardwell.
 Mr. Hume.
 Mr. J. L. Ricardo.
 Mr. Thorneley.
 Mr. Glynn.
 Sir W. Clay.
 Mr. Home Drummond.

Ayes, 15.

Noes.
 Lord George Bentinck.
 Mr. Cayley.
 Mr. Alderman Thompson.
 Mr. Hudson.
 Mr. Disraeli.

Noes, 5.

Question put,—“That paragraph 16 stand part of the Report.”

It passed in the negative.

The following paragraph was read a first time :—

“The issue of that letter was, no doubt, an extraordinary exercise of power on the part of the Government ; but the House has decided, that in the peculiar circumstances of the period, they were justified in taking that step. It will be seen, from the evidence of Mr. Cotton, the Governor of the Bank in 1844, that the possibility of circumstances arising in which some extraordinary measure might be called for, in consequence of a state of monetary crisis, was not unforeseen by the Government at the time when the Act of 1844 was passed.”

The paragraph was read a second time, and agreed to.

Paragraph 17 again read.

An amendment was proposed to be made to the paragraph, by leaving out the words "which has been given as to the effects of the Act of 1844, has been contradictory," for the purpose of inserting the following words:—"of all the Witnesses engaged in commercial undertakings (except the Deputy Governor of the Bank), is unanimous as to the disastrous effects of the Act of 1844. Four Witnesses, indeed, out of 17, have defended the system on which that Act was founded; but of these four, one is generally believed to be the author of the system, another was the Governor of the Bank, consulted by the framers of the Act of 1844, and the remaining two are the present Governor and Deputy-Governor of the Bank. It appears, however, that the opinion of the Bank Directors is nearly balanced as to the successful working of the Act of 1844."—(Mr. Cayley.)

Question put,—“That the words proposed to be left out stand part of the paragraph.”

The Committee divided.

Ayes.
Mr. Chancellor of the Exchequer.
Sir James Graham.
Sir Robert Peel.
Lord John Russell.
Mr. Cobden.
Mr. Beckett.
Mr. Cardwell.
Mr. J. L. Ricardo.
Mr. Thornely.
Mr. James Wilson.
Sir William Clay.
Mr. Home Drummond.

Ayes 13.

Noes.
Lord George Bentinck.
Mr. Spooner.
Mr. Cayley.
Mr. Alderman Thompson.
Mr. Hudson.
Mr. Hume.
Mr. Dismiel.
Mr. Glyn.

Noes 8.

So it was resolved in the affirmative.

Another amendment was proposed to be made, by adding at the end of the paragraph these words, "The evidence of all the Witnesses engaged in commercial undertakings (except the Deputy-Governor of the Bank), is unanimous as to the disastrous effects of the Act of 1844. Four Witnesses, indeed, out of 17, have defended the system on which that Act was founded; but of these four, one is generally believed to be the author of the system, another was the Governor of the Bank, consulted by the framers of the Act of 1844, and the remaining two are the present Governor and Deputy-Governor of the Bank. It appears, however, that the opinion of the Bank Directors is nearly balanced as to the successful working of the Act of 1844."—(Mr. Cayley.)

Question put and negatived.

Paragraph 17 again read, and agreed to.

Paragraph 18 postponed.

Paragraph 19 again read.

An amendment was made to the paragraph by leaving out the words "the possibility of"

Question put,—“That this paragraph as amended be agreed to.”

The Committee divided.

Ayes.
Mr. Chancellor of the Exchequer.
Sir James Graham.
Sir Robert Peel.
Lord John Russell.
Mr. Goulburn.
Mr. Cardwell.
Mr. Labouchere.
Mr. J. L. Ricardo.
Mr. Thornely.
Mr. Glyn.
Mr. James Wilson.
Sir William Clay.
Mr. Home Drummond.

Ayes 13.

Noes.
Lord George Bentinck.
Mr. Spooner.
Mr. Beckett.
Mr. Cayley.
Mr. Alderman Thompson.
Mr. Hudson.
Mr. Hume.
Mr. Dismiel.

Noes 8.

So it was resolved in the affirmative.

Paragraph 18 again read.

Some verbal amendments were made.

An amendment was proposed to be made to the paragraph, by inserting after "expedient" these words, "notwithstanding the suspension on the first emergency."—(Mr. Dismiel.)

The

The Question was put, "That these words be here inserted."

The Committee divided.

Ayes,
Lord George Bentinck.
Mr. Spooner.
Mr. Cayley.
Mr. Ald. Thompson.
Mr. Hudson.
Mr. Hume.
Mr. Darnall.
Mr. Glyn.

Noes.
Mr. Chancellor of the Exchequer.
Sir James Graham.
Sir Robert Peel.
Lord John Russell.
Mr. Cobden.
Mr. Beckett.
Mr. Goulburn.
Mr. Cardwell.
Mr. Labouchere.
Mr. J. L. Ricardo.
Mr. Thorold.
Mr. James Wilson.
Sir W. Clay.
Mr. Home Drummond.

Ayes, 8.

Noes, 14.

So it passed in the negative.

Another amendment was proposed to be made, by adding at the end of the paragraph the same words, "notwithstanding its suspension on the first emergency."

Question put, "That these words be inserted."

It passed in the negative.

Another amendment was proposed to be made, by inserting at the end of the paragraph the following words:—"At the same time they all concur in the view taken by the Report of the Bullion Committee of 1812, that it is impossible for a country banker to increase his issues beyond the requirements of the district with which he is connected."—(Mr. Cayley.)

It passed in the negative.

Question put, "That the 16th paragraph be agreed to as amended."

The Committee divided.

Ayes.
Mr. Chancellor of the Exchequer.
Sir James Graham.
Sir Robert Peel.
Lord John Russell.
Mr. Cobden.
Mr. Goulburn.
Mr. Cardwell.
Mr. Labouchere.
Mr. J. L. Ricardo.
Mr. Thorold.
Sir W. Clay.
Mr. Home Drummond.

Noes.
Lord George Bentinck.
Mr. Spooner.
Mr. Beckett.
Mr. Cayley.
Mr. Alderman Thompson.
Mr. Hudson.
Mr. Hume.
Mr. Darnall.
Mr. Glyn.
Mr. James Wilson.

Ayes, 12.

Noes, 10.

So it was resolved in the affirmative.

Question put,—“That these paragraphs form the Report of the Committee.”

An amendment was proposed to be made to the Question, by leaving out all the words after the word "That," for the purpose of inserting these words:—"a striking illustration of the truth of the evidence adduced before Your Committee; viz., That the distress of the autumn proceeded from a great derangement in the circulation, since, although mercantile transactions were so much limited in the autumn, such was the alarm lest bank notes eventually could not be obtained, that they were rapidly and greedily absorbed even by those who did not need them; and thus led to the tremendous pressure upon the great mass of the commercial classes, who, by this practice of hoarding, were practically unable to lay hold of bank notes, which, although nominally large in amount, were really unobtainable even by many first-rate houses, owing to alarm entertained of the restrictive clauses of the Act of 1844."—(Mr. Cayley.)

Question put,—“That the words proposed to be left out stand part of the question.”

It was resolved in the affirmative.

Question again put,—“That these paragraphs form the Report of the Committee.”

The Committee divided :

Ayes.
 Mr. Chancellor of the Exchequer.
 Sir James Graham.
 Sir Robert Peel.
 Lord John Russell.
 Mr. Cobden.
 Mr. Beckett.
 Mr. Goulburn.
 Mr. Cardwell.
 Mr. Labouchere.
 Mr. J. L. Ricardo.
 Mr. Thornely.
 Sir W. Clay.
 Mr. Home Drummond.
Ayes, 13.

Noes.
 Lord George Bentinck.
 Mr. Spooner.
 Mr. Cayley.
 Mr. Alderman Thompson.
 Mr. Hudson.
 Mr. Hume.
 Mr. Darnall.
 Mr. Glyn.
 Mr. James Wilson.

Noes, 9.

So it was resolved in the affirmative.

Question put,—“That the Chairman be instructed to move The House that the Committee have leave to report from time to time.”

It was resolved in the affirmative.

Question put,—“That this report be presented to The House.”

It was resolved in the affirmative.

[Adjourned to 10th instant, at Twelve.

MINUTES OF EVIDENCE.

LIST OF WITNESSES.

<i>Martis, 8^a die Februarii, 1848.</i>	<i>Martis, 14^a die Martii, 1848.</i>
Adam Hodgson, Esq. - - - p. 1	James Morris, Esq. - - - } - - p. 243 Henry James Prescott, Esq. }
<i>Veneris, 11^a die Februarii, 1848.</i>	<i>Martis, 21^a die Martii, 1848.</i>
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MINUTES OF EVIDENCE.

Martin, 8^o die Februarii, 1848.

MEMBERS PRESENT.

Mr. Chancellor of the Exchequer.
Mr. Disraeli.
Mr. Copley.
Sir Robert Peel.
Mr. Goulburn.
Mr. T. Baring.
Mr. Hudson.
Mr. Ricardo.

Mr. Thorneley.
Mr. Spooner.
Lord George Bentinck.
Mr. Alderman Thompson.
Mr. Cardwell.
Mr. Hume.
Sir William Clay.

THE RIGHT HON. F. T. BARING, IN THE CHAIR.

Adam Hodgson, Esq., Examined.

1. *Chairman.*] YOU are one of the directors of one of the joint stock banks at Liverpool?—Yes; I am one of the two confidential directors of the bank of Liverpool.

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2. You were, I think, one of the deputations to the Government in April 1847?—I was.

3. And, I believe, I am right in saying that you have attended here at the request of some of the gentlemen at Liverpool in consequence of the desire of the Committee, communicated through Mr. Cardwell, that we might have information of the commercial state of Liverpool?—I have.

4. Before we go into the history of the difficulties which have arisen, will you have the goodness to state to the Committee what you consider the state of trade at Liverpool to have been at the commencement of 1847?—There was nothing at that period that had excited any particular attention; there had been a very unusually large increase in the spinning of cotton; but in Liverpool there was nothing to mark the period peculiarly.

5. I speak of trade, independently of the railway speculations?—Yes, I quite understood you so; when we came up in April, there was a very strong feeling among all those who came up, that trade was generally in a sound state; that was generally stated to the Government as the opinion of all the gentlemen in the deputation; there had been nothing in the accounts of the customers of our bank different from usual.

6. Is it your opinion now, after you have seen what has taken place since, that at the commencement of 1847, trade at Liverpool, generally speaking, was in a wholesome state?—I should say, generally speaking, it was; there were a few instances of very preposterous overtrading, but those, I think, were confined to a very few individuals.

7. Will you proceed to state to us what took place in April?—The first circumstance that called our attention in any particular degree to any difficulties of the times was an announcement from the Bank of England that our discounts with them must be diminished one-half, as they ran off; that was in the last week of April, and, I believe, a similar notice was pretty generally given; so we understood.

8. Perhaps you had better state to us what your arrangements were with the Bank of England as regards discounts?—It is very necessary to state that,

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because we have two accounts, under our arrangement with the Bank of England; the one, an engagement to discount for us, under all circumstances and at all times, to the extent of 200,000*l.* arising out of our original agreement with the Bank not to issue our own notes, and not to re-issue bills of exchange; that we call our contract account; but, in addition to that, we have always a general account which is not under any specific limit, but which, on this occasion, was suddenly reduced one-half.

9. Then the announcement of the Bank, as I understand, was confined to what you call your general account?—Yes; therefore it was not, in point of fact, diminishing our discounts to the extent of one-half, taking them altogether, but it was with reference to the general account that the discounts were to be diminished one-half.

10. It was that announcement which you consider to have produced the first effect at Liverpool?—Yes, it gave very general alarm.

11. Mr. Spooner.] Will you state the proportion which the discount under your special, here to the discount under your general account?—The other was about 136,000*l.*

12. Mr. Chancellor of the Exchequer.] At the time when you received the announcement?—Yes, at the time, or within a day or two after.

13. Chairman.]—At what rate of interest is your contract account?—It used to be called our three per cent. account; it was originally three per cent.; it has latterly been four per cent.

14. Mr. Spooner.] At what time did it become four per cent.?—I cannot recollect the exact time when it was altered, but it was altered in this way; the original three per cent. account was the one which we had when the Bill of 1844 was passed; that gave us certain rights arising out of that three per cent. account; those rights we commuted, for the power of having the account which I have now mentioned, instead of one per cent. on all the notes we could keep out, which the Act gave us the right to; we commuted that right with the Bank of England for the power of having 200,000*l.* at one per cent. less than the London rate; the maximum to be four per cent.

15. Chairman.] Will you proceed to state what followed this announcement?—The announcement alarmed us a good deal, and some other bankers came to us, and several merchants, to consult what should be done, and it was decided that a deputation should be sent immediately to the Government to tell them the awkward position in which the Bank had placed us; for though we were prepared to meet our own engagements, it very greatly indeed crippled our power of helping the merchants.

16. You attended that deputation?—I did; I may perhaps state that the announcement operated with peculiar hardship on this account, that the payments into Liverpool had latterly been much more in bills than in cash; and the merchants who generally brought to the Bank a large proportion of cash with which to pay their acceptances, had latterly been able to bring only bills which they had received for their cotton and other produce, and that increased very rapidly as the difficulties increased; but we saw that it would make the restriction operate much more severely.

17. Mr. Chancellor of the Exchequer.] What description of bills were those?—The bills were cotton, or other bills, not exceeding three months' date; that is the rule for cotton payments. The acceptances I refer to, which the Bank had to pay for the merchants, were acceptances drawn chiefly upon them from abroad, and they have been accustomed to meet these acceptances by whatever payment they received for their produce.

18. What was the description of bills that the merchants brought to you in lieu of cash, which they usually brought?—They were bills of various dates, and of various descriptions; a considerable number of them were bankers' bills, of three months' date, the large bulk being cotton bills; but they were of every description of bills almost that can be mentioned.

19. Mr. Hume.] Were they in payment of goods shipped abroad, or were they bills originating in England?—They were almost entirely bills originating in England, and received by merchants in payment for the produce sold by the merchants.

20. Mr. Chancellor of the Exchequer.] By whom were those bills accepted generally?

generally?—A considerable number of them were bankers' bills, accepted by London bankers, and by merchants in every trade that we could mention—the Brazilian, the American, the Canadian, the West Indian, and almost every description of foreign trade that our connections might happen to be in.

21. Then, in lieu of payments in cash, the merchants drew upon each other, and substituted payments, by means of those bills, for payments in cash?—No, not at all; the merchants did not draw upon each other; but the parties in the interior, who had purchased produce from the merchants, remitted to the merchants bills on London bankers, or bills on various parties in London, or bills upon anybody; they were almost every description of paper that is usual in the interior trade, and in the general commerce of the country; they were what we call promiscuous bills; bills of every description.

22. Mr. Thorneycroft.] When you speak of bankers' bills, do you mean bills drawn upon bankers in London, or bills indorsed by joint stock or country bankers?—A good many were drawn on bankers in London, and a great number were bills drawn by Jones, Lloyd and Company on Jones, Lloyd and Company, in London.

23. Do you call a banker's bill a bill which has a banker's indorsement, or a bill which is drawn upon a banker?—With respect to bills drawn under the circumstances which we are referring to, we should call those with bankers' indorsements bankers' bills, as well as those drawn upon a banker.

24. Mr. Hume.] Of what date were those bills generally?—Every description of dates, from a few days to three months.

25. Were any of them beyond three months?—Yes, they were occasionally; but we were at that time extremely careful in taking bills beyond three months. We were in the habit frequently of having in our bill case an amount of 200,000*l.* or 250,000*l.* or 240,000*l.* in bills beyond three months, but latterly we have very seldom had more than 30,000*l.*, and at present we have scarcely taken any bill above three months, and a casual one occasionally at four months; but our rule is at present to refuse all bills beyond three months, and there is rarely an exception to it. The shortening the dates of bills has been one cause of much inconvenience being felt in the country.

26. Will you state at what time that change took place, from cash payment to bills?—It was beginning to take place in the commencement of 1847, and afterwards increased very much. In Liverpool, a buyer has always the power of making his payments either in cash or in bills of this description, unless there is a special agreement to the contrary; if he can discount those bills at a low rate, he discounts them at Gurney's, or wherever else he can in London, and then pays cash for his produce. On the other hand, if he cannot discount the bills under five per cent., he avails himself of his privilege of paying in bills.

27. Mr. Thorneycroft.] When the rate of discount is under five per cent., he makes a profit by discounting below that rate, and making his payment in cash?—He does.

28. But when the rate of interest is five per cent., he makes no saving by discounting his bills?—No.

29. And if he were to discount his bills when the rate of interest was above five per cent., he would incur a loss?—He would.

30. Mr. Hudson.] You have stated that the bills had sometimes two and three months to run, and that there were many on Jones, Lloyd and Company in London?—Yes; I mentioned that to show the nature of the bills.

31. Very few bankers draw for three months, except that house?—I really do not know.

32. Do you know of any other in your experience?—I cannot at this moment say that I do, but I really have not noticed.

33. Is it not very common for that house to draw bills for three months, particularly at times when cash is dear?—I rather think so, but I have not taken any special notice to enable me to say so.

34. Should you not say that the amount in circulation of those bills for two and three months is large at times when money is dear and difficult to obtain?—Bills of some date, certainly; but I have not noticed the proportion of three months' bills; my impression is, that I have very often seen them, and there is a large amount of their paper unquestionably.

35. And that paper increases materially when money becomes dear?—I am not sure that we have found it to be so; I have scarcely a doubt of it in my own mind; but we have not observed it specially.

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36. *Mr. Hume.*] Could you ascertain whether many of those bills which were brought to you for discount were renewed from time to time?—There are certain classes of bills which are very often renewed.

37. State what those classes of bills are?—One class of bills is that by which the trade to the south-west coast of America especially is carried on; they are bills drawn by the manufacturer on the Liverpool merchant, who has correspondents on the south-west coast, and to whose house the goods are consigned, and those bills are very often renewed.

38. *Mr. Thorneycroft.*] At what date are they originally drawn?—Very often at six months, and they are often renewed; there is another class of paper which is renewed, but not so legitimately as those; for the long operations in that trade have gradually led to the adoption of that practice; but occasionally brokers' acceptances have been renewed.

39. For the purchase of goods?—For the purchase of cotton, and sometimes for the purchase of cotton on speculation.

40. *Mr. Hume.*] Was there any understanding that those bills were to be renewed from time to time, so as to admit of a return from South America, to which the goods for which the bills were drawn were sent?—I am not aware of it; there has been, on very rare occasions, an instance in which the bank has engaged to renew them; but there is a complete understanding between the two parties, the consignor and the consignee, that they shall be renewed, and it is a regular part of the trade.

41. But was the bank, in discounting those bills which came under the category you have mentioned, aware of an understanding between the consignor and the consignee, with regard to their renewal?—Very often they were aware of it.

42. What period was the understood period at which the remittance would be made for goods sent to those distant parts of the world; what renewals were considered to be fair and regular?—I do not at all know; they do not at all come under my observation.

43. Was it ever a question brought before your committee to consider whether those renewals of bills for distant payment would subject you to the risk of loss; you said that there had been a change in the trade?—The remark with respect to a change having taken place applied to another class of bills—bills received for the sale of produce imported into this country; we have now got upon another set of bills—bills with reference to the export of our manufactured goods, and with respect to those no change at all has taken place.

44. *Mr. Hudson.*] If you discount the bills, do you discount them upon the credit of the party who pays the money into the bankers, or upon the credit of the party who is the drawer of the bills?—Both.

45. It is no part of your business to know whether the bills will be renewed or not?—We never consider that, except that we rather discourage much renewal, and we happen to have very few connexions in that particular trade; therefore, we have very few indeed of such bills; and, with respect to renewals generally, it is a thing we discourage; we make no rule that we will not discount renewals; but if we saw the practice going on much, it would give us an unfavourable opinion of the parties, and diminish our confidence in them.

46. *Mr. Hume.*] You have no rule as to the number of indorsers, or as to the name of the person who draws, and that of the person who accepts, being sufficient?—We have no rule; if we are satisfied with the two names, we take the bills upon those two names; but it is very seldom the case that we take two names only for so long a period as six months; they must be persons of unquestionable credit.

47. On referring to your books, can you state for any period for 1847 the proportion of bills that you discounted for six and for three months?—In our books, of which I have one extract here, we always state every week what amount of bills we have on hand under three months' date, and in the next column what amount we have above that date; at present it would stand something in this way: there are 800,000*l.* or 900,000*l.* of bills under three months' date, and, perhaps, 30,000*l.* or 40,000*l.* above three months' date; that is something like what it has averaged lately; but in former times, and in times perfectly easy, we have often had, instead of 30,000*l.* of bills above three months' date, 200,000*l.* or 240,000*l.*

48. What is the longest date during the last two years for which you have discounted

discounted those bills?—We have discounted very few six months' bills, and never bills of a longer date; we have discounted those six months' bills for our Indian connections; but very often the bills have run off a little; though they are called six months' bills, they have run a month off, or perhaps six weeks; but I never remember discounting bills beyond six months' date, and latterly only a very small proportion of those.

49. *Chairman.*] You were stating the effect of the announcement of the Bank of England to diminish your discount account to half; will you proceed with your statement?—That led to a deputation to London, when we had the pleasure of waiting on Lord John Russell and the Chancellor of the Exchequer, and stating the circumstances to them; and the following day we were recommended by the Government to go to the Governor of the Bank of England, and we found that they were prepared to make some very slight relaxation; they had previously seemed to think that they could not do it, but afterwards they agreed to make a slight relaxation.

50. Can you recollect at what date this was?—I think it would be the very end of April, or the beginning of May. The relaxation which they agreed to was this: instead of reducing our discounts to one-half of what we had had before, they said, "We will agree that you shall have whatever you had last Saturday night;" they asked whether we were satisfied with that, and we said, until we knew what proportion that bore to our ordinary amount, we really could hardly tell; they told us that what we had had on the previous Saturday night was 136,000 £, and that to that extent we might go again.

51. That 136,000 £. was upon your general account?—Yes; that the total amount of discounts at any one time should not exceed that sum; with the general date of the bills that we pay in, it would be something like 13,000 £., the weekly discount on our general account; and in the same way, upon the 200,000 £. it would be something like 20,000 £., and those two added together would be equivalent to a discount of 33,000 £.; it is dependent upon the date of the bills we pay in, but that would be the average.

52. The limit on the two accounts would be 336,000 £.?—Yes.

53. You saw the Government, and you laid before them the state of trade, and the position of Liverpool at that time?—Yes; we stated to them that what we were very anxious to obtain was relief from the immediate pressure which had been suddenly occasioned by the action of the Bank of England; that we did not consider that we were smarting under the operation of any particular Act of Parliament then; but that there had been a sudden action of the Bank which had created a sudden alarm, and seemed to have dried up the current of bank notes, and we wished to be relieved from the effects of that sudden alarm; that sudden action having been spoken of very strongly in the House of Commons a few nights before.

54. And the Bank relaxed to the extent which you have stated?—Yes; the effect of that relaxation, though it was small, was very important; we wanted only the slightest thing to restore a certain amount of confidence, which had been very greatly destroyed by the sudden announcement of the Bank of England; and when we went back, and said we had had a small relaxation, it did restore confidence. There was a great deal of tightness and inconvenience afterwards, but the peculiarity of the crisis at that time was this: if no relaxation at all had been given, I think a great many solvent houses, with bills in their cases, would have stopped payment. We stated that to the Government; and I firmly believe now, that that stoppage was averted by the slight relaxation which the Bank gave, and that is a peculiarity which, when we come to October, will deserve to be remembered, because it was not the peculiarity of this crisis of October.

55. What effect had this relaxation upon discounts?—It was not a question of the rate of discount at all, it was a question simply of the power of discounting; it enabled us to do a little more; but there was a good deal more in the amount of confidence it inspired; and I may be allowed to say, that nothing is more material through the whole of this examination for us to remember, than the extreme importance and the ultimate effect on prices of a state of alarm or a state of ease, and that it is not simply the amount of what can be got, but the removal of the apprehension, that by-and-by, if the alarm continues, nothing will be got.

56. Had it practically any effect upon the amount of your discounts?—I think it had; I think it enabled us to go a little farther.

57. A little farther than you had gone?—A little further, probably, not than we

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had gone, but then we should have gone, after the announcement of the restrictive measure, if this slight relaxation had not been made.

58. I understood you to say, that the 136,000 *l.* was settled, with reference to the amount which you had in the Bank on the Saturday before?—The amount we had on a specific day.

59. Mr. Alderman Thompson.] Your contract with the Bank was, that you should be allowed discounts to the extent of 200,000 *l.*?—That remained at all times the same; that was the right we had acquired; it was settled by Parliament, and we never attempted at all to interfere with that.

60. Have you always kept it at 200,000 *l.*?—It was once higher than 200,000 *l.* I am speaking of it as it exists now, and has existed for a length of time.

61. Has it never been below 200,000 *l.*?—I think it has at times; but if it goes to a certain extent below, and remains there for a certain time, I think the Bank can fix it at that point of reduction, and prevent it rising; but that has not happened in such a way as to call attention to it. We very often have gone nearly to the extent of it; and very often we keep our reserve in that form, in order that we may have the power of getting at it readily.

62. Do you happen to know what amount you had in discount with the Bank of England on the 3d of January 1847?—Not at all. I could ascertain.

63. Mr. Chancellor of the Exchequer.] What was the actual reduction of discount made by the Bank by the announcement reducing it to a half?—We never worked that out; we had not been discounting to the extent that the Bank would have discounted for us if we had applied, and we never worked it out. When they asked whether this would be sufficient for us, whether it would satisfy us, I said we really did not know what had been the average; we could at any time make it out; but, in point of fact, we had not done so; it would be only a moderate diminution.

64. Then the announcement of the Bank that they would reduce the discounts one-half of what was running off was not, in point of fact, carried into effect in your case?—It was so carried into effect to the extent of it; but the truth is, that what we wanted was, that we might go back, and say there was some relaxation, and that produced confidence; we never wished to strain things; we have generally kept within the mark; when I said that there was no reduction, I meant no material reduction.

65. Chairman.] That relaxation was followed by a removal of the difficulty?—By a diminution of the difficulty; but there was very great pressure still continuing in Liverpool, and I think one or two deputations came up after that, and there was an effort made to get some further relaxation on the part of the merchants; they came up, and saw the Government; there was a very considerable pressure; but it did not amount to that which otherwise would have been fatal to the standing of several houses at that time.

66. Mr. Alderman Thompson.] Was not the relaxation to this extent, namely, that the Bank would discount for the Liverpool bankers weekly to the full extent of the bills falling due within that week?—My recollection is very distinct that it stands just as I have stated it; that we were allowed to have under discount the amount which we had under discount the Saturday night preceding. Here is the minute in our books of the communication made to us at that time, and I believe it to have been a correct one: "The Court proposed to give beyond the contract account the amount we had under discount on the Saturday previous, namely, the 24th of April; this will make our situation with the Bank stand thus, that beyond the contract amount we shall be allowed to have 136,000 *l.* under discount at the Branch."

67. Chairman.] How long did the pressure last after the interview which you had with the Bank?—By the 13th of May it was very considerably abated, and it gradually passed away.

68. Will you proceed to October?—The first memorandum that I see here in October, which is an extract from the proceedings of the Board, is this: "The manager stated that this meeting had been specially called to enable him to make a statement to the Board in the present very uncomfortable state of the community, from the difficulty of obtaining discounts, and the pressure occasioned by the failure of several respectable firms."

69. When was the failure of the houses in the corn trade?—I think that was in September, and that is what is referred to here, I think. Then it proceeds: "Mr. Langton stated his conversation with Mr. Fletcher, who is the manager of the branch bank in

in Liverpool—(there are some other remarks herein reference to the communication with Mr. Fletcher of a private kind)—from which it appears clearly that the utmost amount of discount that we can look for is what is supplied by the contract account, and the balance remaining of the sum of 136,000*l.*, granted to us in May last, of which 26,000*l.* only now remains open, and this is only now given from day to day to the extent of what bills we may feel obliged to do for our customers. Resolved, That the Bank adjourn to 12 o'clock to-morrow, to hear the result of Mr. Fletcher's letter to London, and of an application Mr. Glyn has been requested to make to the Governor of the Bank."

70. Mr. Alderman Thompson.] What is the date of that?—The date of this is the 4th, and the next is dated the 5th of October. The manager stated, "That out of two small sums of 10,000*l.* each, sent to London to the broker's, only one had been done," that is, re-discounted; "also that he had seen Mr. Fletcher, whose orders were, to restrict all discounts; and the utmost he could get him to do would be to give him 4,000*l.*, 5,000*l.*, or 6,000*l.*, if he took so many bills to uphold mercantile houses." I do not know whether it is at all necessary for me to say that in making any of these remarks, we do not in the slightest degree wish to reflect upon the Bank, for we believe that they did all they could to assist the community: I am merely stating the facts as they arose. Then, on the 6th of October, "The manager stated that he had seen Mr. Fletcher this morning, and that he would not discount any thing for us to-day." Then the pressure continued very severe. We had a considerable reserve of cash, 200,000*l.*, within our control, and we thought it might be advantageous to the community if we could use it and throw it into circulation again, but that we could not do it consistently with our own safety, unless we could be secure of having it replaced by the Bank of England in case we required it. I was therefore requested to proceed to London, and see the Governor, and mention to him that we should be willing to part with this reserve, which, in the peculiar state of the times, we considered essential to our own safety, provided the Bank thought it right to agree to restore it to us, if we required it. The Governor of the Bank stated that the very principle on which we were acting was that on which they themselves were acting, and that if they did come under this engagement to us, they would be obliged to lock the same sum up in their own drawers, and that no good would therefore arise from assenting to our proposal. We stated at the same time that we had generally managed to keep our reserve in such a form as would interfere the least with the circulation; that we had then 100,000*l.* at call with certain bill brokers, who were unable, when applied to, to return us more than 25,000*l.*, and that that showed us the absolute necessity of having the reserve within our own hands. Nothing particular, I think, occurred after that till Sunday, the 17th of October, when, late at night, a director of the Royal Bank of Liverpool, and a director of another joint stock bank, came to my house to inform me that the Royal Bank would not open its doors the following day. On the 18th, the day after, I have this memorandum extracted from our books: "The manager stated that the Board had been summoned in consequence of the stoppage of the Royal Bank, in which case a run might be anticipated. Mr. Hodgson and Mr. Langton reported; that they had called at the branch bank this morning, and understood from Mr. Fletcher that his power of discounting was still very limited. Resolved, That, under existing circumstances, Mr. Fletcher be requested to communicate specially with the Governor, with the view of obtaining permission to discount more freely with this bank in case of severe pressure, from a sudden run, and the further concurrence of the Court to a temporary issue of bills of exchange as money, if such a step should become necessary." Our understanding with the Bank is, that we are not to re-issue those promissory bills of exchange which I have been speaking of, and which many other banks do re-issue, and which, I have no doubt, it is well known to this Committee, have often formed a large part of the circulation of Lancashire; we have tied ourselves up from issuing those bills without the permission of the Bank. On the 26th of October the general Board met; they only met weekly, and, therefore, this report happened to be made to them a week after; but we got an answer from the Governor immediately after our communication: "The manager reported the reply of the Bank of England, that they would consent, if necessary, to the issue of bills under the circumstances named in the minute of the 18th of October until this pressure be over, but that they could not give us any further facility of discounts." Then I may mention, that on the 18th of October, the Monday, we

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A. Hodgson, Esq. had, as we anticipated, a run upon us; several of the banks had a run upon them in consequence of the stoppage of the Royal Bank, which showed that our preparations had not been unnecessary.

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71. *Chairman.*] How long did it continue?—For three days; we were rather unfortunately situated from the name of the Bank of Liverpool being somewhat similar to that of the Royal Bank; some persons thought that our bank had stopped, and that brought our depositors to the bank. We parted on the first day, the Monday, with about 50,000*l.*, as we considered, in consequence of the run; and in the course of the week with about 100,000*l.*; as far as we could ascertain, that was occasioned solely by the run. That is all I have to state consecutively; but as it has been stated that good bills could always be discounted by the Bank of England, I just wish to give one instance to show that they could not be always discounted in Liverpool at the Branch Bank of England; I have permission from the gentleman who was concerned in it to read it: "On the 23d October 1847, Messrs. Hugh and Joseph Hornby and Company received from Paris two bills, one on Heath, Furze and Company, of London, due the 26th of October, for 1,000*l.*; the other on Huth and Company, drawn by F. C. Hauf, a highly respectable house, due 26th October, for 500*l.*;" these bills were both indorsed by Messrs. Hottinguer and Company, of Paris, and by the Bank of France. The memorandum goes on to state—"Messrs. Hornby sent these bills on the 23d October, by a clerk, to the Liverpool Branch of the Bank of England, intending them for collection to their credit at maturity. The agent, supposing they were intended for discount, returned them with a message that he could not give bank notes for them that day. Messrs. Hornby have a regular discount account with the Bank of England Branch, and had much less paper with them at that time than frequently before."

72. *Mr. Alderman Thompson.*] You do not state that of your own knowledge?—The paper I have given in was taken down from Mr. Hornby's dictation to Mr. Langton, three or four days ago.

73. *Mr. Cayley.*] Have you any doubt on your own mind that this transaction which you have spoken to is true?—I have not any doubt whatever.

74. *Chairman.*] Are you aware of any other case where good bills have been refused by the Bank?—None that I could mention or substantiate.

75. Have you anything farther to state with regard to the difficulties in October?—Nothing further; these are the only facts that I am aware of which I was prepared to state to the Committee. The houses which have failed since the pressure in October have been of a very different class from those which I think would have been brought to a stand had there been no relaxation in April. I am not aware of any solvent houses which have come before me in any way having been brought down in October; but if there had not been that slight relaxation in April, I feel quite persuaded that several solvent houses would have been brought down at that time by the sudden shock.

76. Do you mean to say that if the letter of Government had not been issued, there would have been no failure of solvent houses?—If we had not had that slight relaxation, I think there would have been in April; but in October I am not aware that there was any failure of solvent houses.

77. I was calling your attention to the letter of the Government to the Bank of England?—I can only form a judgment on that point by assuming that the policy of the Bank, if there had been no Government letter, would have continued as stringent as before.

78. What do you consider the effect would have been, supposing matters had been administered by the Bank in the same manner as they had been administered before?—I have no doubt, in my own mind, that the Bank of England would have had to stop payment if there had been no letter written by the Government.

79. At what time was the failure of the corn-houses?—I think it began in September.

80. Were there many failures at Liverpool of corn-houses?—There were several; the corn-houses that failed in Liverpool failed rather later than those in London.

81. *Mr. Chancellor of the Exchequer.*] Were not the failures of corn-houses in London earlier than September?—It may have been so; I was in Scotland at the time, but I thought it was early in September.

82. *Chairman.*] What was the effect at Liverpool of the announcement of the Government letter?—It created very great satisfaction, and a very great feeling of relief.

83. The

83. The effect of the relief was immediate?—It was immediate and great.

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84. Have you anything further to add to the statement of facts which you have given?—I have not.

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85. What do you consider were the causes of the difficulties that were experienced by commerce in April and October?—I think the primary cause was the deficient harvest of 1846, and another very important cause, I think, was the large investments in railways.

86. Do you attribute it at all to the operation of the Bill of 1844?—I feel it to be quite impossible to judge of that, unless I were aware what would have been the policy of the Bank without that Bill; the Bill of 1844 could only operate in two ways, the one, by acting on the imagination of the people, increasing their alarm, whether with reason or not, and the other, by controlling the operations of the Bank; and without knowing what would have been the policy pursued by the Bank if no such Bill had existed, I feel it is impossible to say whether the Bill had any effect or not.

87. With reference to the conduct of the Bank during the difficulties, I understood you to state that you had no complaint to make of there being any desire shown on their part to create difficulties when you applied to them?—Not the slightest. We felt throughout the whole proceedings that the Bank were doing all they could, and all that we, if we had been in their place, should have been disposed to do; there were difficult circumstances to contend with; there was never a period in which we did not feel that they were placed in a position of great difficulty, and that they did all that we could reasonably expect from them.

88. Am I to understand you to apply that approval generally; do you consider that the conduct of the Bank in the earlier stages was also satisfactory?—With respect to the policy of the Bank as acting upon the circulation, I certainly think that if they had looked somewhat more closely at the signs of the times in August 1846, they would not have reduced the discount, which I think was reduced from $3\frac{1}{2}$ to 3 per cent., and I think they would have raised it again earlier; I only mean to give that as my opinion of the policy which the then state of things would have suggested to me.

89. You do not approve of that reduction which was made in the summer of 1846. I think it was in August 1846 that, in the face of a falling harvest, and the almost certainty of a large importation of foreign grain, they reduced the rate of discount: I should not have thought, if I had been in their place, that that was the time to reduce the rate of interest, but rather to increase it.

90. Do you consider that they took sufficient steps in the early part of 1847?—I think they raised the rate of interest to $3\frac{1}{2}$ per cent. about the 10th or 15th of January, and immediately afterwards to 4 per cent., and I am of opinion that if they had raised it earlier then, and rather more, it might very probably have prevented their being under the necessity of giving that sudden announcement in April; and in that way I think great mischief would have been avoided.

91. With reference to the operation of the Bill of 1844, you state that you are not able to give an opinion how far it created the difficulties?—I really do not feel capable of giving an opinion how far it created them, because I do not know what would have been the line of policy which the Bank would have pursued if no such Bill had existed; they were brought into a state which required very great care; and whether they would have been more or less stringent if the Bill had not existed, I cannot tell: without knowing that, I cannot tell whether the Bill operated actually upon the Bank, though it certainly did operate upon the fears of the people: I feel myself, therefore, perfectly at a loss to judge whether or not the Bill had a practical operation upon commercial affairs.

92. How far do you think the Bill was successful in restricting the issue of local banks?—I think it was perfectly successful, and that it was most important to attain that object.

93. Do you think that that object was attained by the Bill?—I think it was fully secured by the Bill.

94. With regard to securing the convertibility of notes, what is your opinion of the Bill?—I do not think it has secured the convertibility of notes at all; the notes remained convertible up to the suspension of the Bill; but I believe that if

A. Hodgson, Esq. the Bill had not been suspended then, or some similar measure adopted, notes would have ceased to be convertible. Looking to the general state of things throughout the country, and to what I know to have been the state of things in London, and the position of trade generally; to the alarm that was spreading rapidly through the country, and to the fact that the power of the Bank had been reduced to such a point, that if there had been any apprehension of the failure of the country banks it could not further support them, and that very little might have occasioned, (I might perhaps go further and say) would have occasioned the failure of banks in large towns and in the country; believing that, if one or two country banks of any magnitude had failed, alarm would have been spread throughout the Kingdom, or if one or two London banks had failed, consternation would have been general; seeing, also, the considerable amount of reserve in the hands of the country bankers and joint stock banks, and the necessity that there would have been of having that reserve as early as possible converted into gold, if the Bank was obliged to stop; seeing that a reserve of 20,000*l.* for each of 300 country banks would have taken six or seven millions; or, of 15,000*l.* each, would have taken five millions; and that if the run for gold had once begun, it would probably have gone on until the Treasury was drained; seeing all this, my firm opinion is, that the Bill of 1844 has not secured convertibility; and I state the grounds on which that opinion is formed.

95. Are you prepared to state any measures which you would consider advisable to be adopted for the purpose of placing the monetary system upon a better footing?—There are two broad principles on which I should be disposed to think it would be advantageous to act; one is, to make the metallic basis of the currency larger, and the other is, to secure more unity of purpose in the administration of the affairs of the Bank of England; not to have a body so fluctuating and a change of policy, depending upon one or two accidental votes. If the Governor and Deputy-governor were out of business, and were paid for their services, and their whole time and attention given to so important a subject as the administration of the currency, I think very great public good would be attained; I say it with every feeling of respect to the Bank; but I think there would be a greater uniformity of action, and that they would have more time to look systematically at the first indications of circumstances that might by-and-by produce adverse exchanges, and the various difficulties into which the country would be thrown by them. I have never seen such perfect discouragement thrown upon commercial matters as I have seen in the last year; I have been 30 years in business, and I have never witnessed the feeling of helplessness and hopelessness so strong as in the last year; there were heavier losses in 1826, but I never saw a greater feeling of discouragement, persons not knowing what they could depend upon in looking to distant operations. Anything that would enable us to encounter the difficulties that we have to encounter in our mercantile operations, from the sudden calls upon us from a bad harvest, I think would be of great national consequence, and it seems to me that a wider metallic basis is almost essential to the attainment of that object.

96. What practical proposal would you make upon the subject of a wider metallic basis?—I am not prepared to state the form in which it should be done. In the first place I should like to see the capital of the Bank of England repaid, and that the Bank of England should have command over its resources. I think that is an essential thing to begin with, and I think if it had that command over its resources, provision might be made for adverse times and serious contingencies. Whenever we have an export of any extraordinary amount of the precious metals, we not only lose that amount which is unavoidable, but we have everything throughout the country deranged. There is hardly any price that we could pay, which, in my opinion, is too high a price to prevent that. The loss generally from panic, and the closing of the channels of commerce, directly and indirectly, I feel perfectly satisfied, is many times greater than the interest of a large amount of bullion kept in some way or other under the control of the Bank, in the issue department, or the banking department as it might be; and I think one most important thing to look at in connexion with any alteration which might take place, is to take from the Bank—(I do not like to call it the temptation)—but to take from the Bank the feeling that their duty to their proprietors requires them to get rid of a large amount of bullion. They should be exempt from the necessity of having to account to the proprietors for holding too large an amount of bullion; those

those who have the administration of the currency should not have a personal interest in diminishing the amount of bullion to the minimum, instead of having reference solely to its connexion with the circulation.

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97. Would you propose that a smaller number of notes should be issued upon securities?—I should feel it presumptuous to go much into detail upon a subject of this kind, because in doing so, it is necessary to carry out the whole plan. If the Bank of England had its capital repaid,—of course I do not mean in such difficult times as these, but that the principle should be established to be acted upon in better times,—if it had its capital repaid, the question then is, whether it should be repaid into the banking department, or the issue department; but they, whoever they might be, who had to administer the affairs of the Bank, and who had so to apply it, that it might be rendered more available than it is now as capital, would have to consider how much of it they should keep in bullion, and how much they should employ in other ways. Suppose the Bank kept a certain amount of foreign bills always under discount, that would give us a claim upon foreign countries, in the event of an adverse exchange, to a certain amount. Suppose they had five or six millions, or a certain amount of foreign stock, to which I know there are objections, or invested in foreign bills or in bullion, in whatever proportion might be deemed expedient, then you would have something by which you could discharge your debts to foreign countries, when you had an unusual amount of debt to them. When we are pressed for corn, we cannot wait for it; foreigners can wait for our manufactures till adverse times are over; they can go on for six or eight months, wearing out their clothes, but we cannot wait for our corn. It seems to be taken for granted that we can always create a want abroad for our manufactures. I think that mistake lies at the root of great practical mischief; and I think, in this large commercial country, looking to the way in which our commerce has increased of late years, and looking to the enormous extent of it now, our metallic basis does seem too small. It has been said, and said truly, by a very eminent person, that we erect a larger superstructure upon a smaller foundation of bullion than any other country. Then the question arises whether you should diminish your credit, or whether you should enlarge your basis of bullion, if there is this disproportion. We know that credit may be abused; but credit has been the foundation of the commerce of this country; and if we think it inexpedient to maintain our present extent of credit on our present basis, then give it a broader basis; but at all events we are extremely anxious, commercially, that the subject should be considered, with a view to see if there are not ways by which these violent revolutions may be mitigated. We have had two of them in one year, and the anxiety and pressure of these panics, coming on one after another, is becoming to many persons intolerable. There is hardly any expense that would not appear to be a small expense, compared with the object attained, if it could be attained.

98. Is there any thing else that you wish to state?—No; I came here to give any information as to facts, and any opinions I have given, I have offered with diffidence and deference; but the extent of the evil, and the way in which it is operating upon the minds of the mercantile community, cannot be exaggerated.

99. Mr. Alderman Thompson.] Are you aware of the extent of additional aid that was made by the Bank of England to the banks of Liverpool and the merchants of Liverpool, during what you have designated the crisis of April last and October?—I am aware that it was very great. We were often told by the Bank, "We have gone so very far in rendering assistance to other people, that we cannot do anything for you. If you had applied before, you would have had what you wanted; but now other people have had it, and you will not be surprised if we cannot do anything for you." I am aware of great exertion on the part of the Bank to grant assistance. I do not think it could have been exceeded.

100. Looking at the state of the reserve which the Bank had on their banking account at the times to which I have referred, you think that they made every exertion which they judiciously could to relieve the pressure of the Bank?—I confidently believe it.

101. You have stated that you thought the Bank committed an error in August 1846 in reducing the rate of discount from 3½ to 3 per cent.; were you aware, when you gave that opinion, that in August the amount of bullion which the Bank possessed was the largest amount ever known in the history of the

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Bank to have been in their possession, namely, upwards of 16,300,000*l.*; and are you also aware that the reserve at that time was upwards of nine millions and a-half, and that foreign exchanges were at a higher point than they had been at for several years. Taking all these circumstances into consideration, are you still of opinion that the Bank committed an error in reducing the rate of discount at that time?—I am still of opinion that it did; because, I think that the circumstances which were beginning to appear, were of so very alarming a character, that, notwithstanding that very favourable state of the Bank, it did require not only that they should give a caution to the public, but act positively on the currency by raising the rate of discount.

102. *Mr. Chancellor of the Exchequer.*] Do you recollect whether the price of corn fell or rose after the reduction of the rate of interest by the Bank?—I do not recollect.

103. *Mr. Alderman Thompson.*] Supposing the Bank had raised the rate of discount, what effect do you think it would have had on the price of corn and upon the operations of foreign merchants, who were in the habit of importing corn?—I think it would have had a very small effect, because I think the importers of corn generally look to very large profits or losses; and I think the amount of interest that they pay is less regarded by them than by persons in any other business, because it is much more a speculative business than others. I think it might have given a feeling of caution to some, perhaps, to be careful of what they were about, if they had seen that the Bank were calling their attention to a possible alteration in the state of things.

104. When money rises in value, does not that circumstance generally check importation?—It generally does.

105. Therefore would not the raising of the rate of discount on the part of the Bank, when it was manifest that we had had a very deficient harvest, have operated upon the minds of those who were disposed to import corn?—I think not; I think that the rule is general, but that in that particular case it would not have operated.

106. Did you find in your experience that the raising of the rate of discount in the autumn of the past year had the effect of diminishing the demand for money in Liverpool or otherwise?—I think it had a slight effect in diminishing it in Liverpool, as far as we can tell; I am speaking now of what came under my own observation.

107. Did it increase the demand upon you for notes?—I think not; I am not aware of any difference.

108. You state that in your opinion it would be beneficial to the public if the Bank of England had the 11,000,000*l.*, the amount of the loan to Government, repaid to them, and that it was invested in bullion; how would you propose to remunerate the Bank for that large amount of bullion in their possession?—I would propose to remunerate the Bank by letting it be a national expense, that whatever additional amount they kept in their vaults for the public service, the public should pay for it; I would have the Bank entirely relieved of any expense connected with it.

109. That is to say that we should allow a per-centage to the Bank, upon the principle that the Government allow upon banking capital 3 per cent. for the deposit of bullion?—Suppose they employed part of it in foreign stock, or part in our own funds, or used it in discounting foreign bills of exchange, there would be a diminution *pro tanto* from the loss of interest; but whatever the loss of interest was which the Bank suffered, whatever proportion they lost of the 330,000*l.*, the interest of 3 per cent. on the 11,000,000*l.*, which it now gets, I think, ought to be made up to them, because it would be suffered on public grounds.

110. Part of your scheme would be to invest a certain proportion in foreign stock and in foreign bills of exchange?—I have only thrown out the different ways in which, possibly, it might be invested; but this would be matter for grave consideration; I am not at all prepared to say in what particular form it should be done, but I entertain no doubt that there are forms in which it might be done.

111. Does your experience lead you to a knowledge of this fact, the great difficulty, nay, impossibility, of the Bank of England competing with private banks
for

for the discount of foreign bills?—No; I have no experience of that; therefore I may be suggesting that which is practically impossible.

112. *Mr. Hume.* You have stated that you think the capital ought to be repaid to the Bank of England, and that the Bank should be put in possession of the 11,000,000*l.* instead of having the whole of their capital lent?—That the debt of 11,000,000*l.*, which is a great part of their capital, should be repaid by the Government to the Bank.

113. Were you engaged in the establishment of the Bank of Liverpool?—Yes; I was one of those who established it, and I have been engaged in it ever since.

114. Do you consider that it would be right to establish a bank without any capital?—No.

115. Do you consider that a bank, established in England on the principles upon which the Bank of England is now established, lending all their capital to one house, or one individual, would be approved of or considered safe by any prudent man?—I think it would not in the case of a private bank.

116. Do you know any reasons why rules which are applicable to all private banks, should not apply equally to the great public Bank to which the whole community should look for assistance and for sound principles?—I think that there are specialities in the two cases, which would render the analogy not quite complete; but I think, on the whole, it is even more important that the national Bank should possess its capital.

117. It being a national establishment, to which commercial houses and other banks look for assistance in case of need, is it not of more importance, all consequences considered, that it should be possessed of capital with which to be able to assist the public?—I think it is more important.

118. You have stated that you think that the metallic basis should be established on a broader footing; and the opinion that you give with regard to the payment of the debt is with a view to enable the Bank to be placed in that situation?—It is.

119. Do you consider that the measure which Parliament has enacted, making the payment of notes issued by private banks in Bank of England notes a good payment, tends to lessen the metallic basis as regards banking in this country?—I think it does.

120. Does it not, in your opinion, prevent bankers from making that prudent reserve which in any business ought to be made against calls which take place, whether in banking, or in any other business; does it not prevent them keeping a quantity of gold in their possession, knowing that by a return of post they may have bank notes and other securities from London?—I think it does.

121. Does not that tend to lessen the broad metallic basis which you think essential to the commerce of this country?—I think that depends on circumstances; if the Bank of England keeps in its vaults the amount that would otherwise be kept by all the various banks scattered through the country, then I think, on the whole, there is the same amount representing notes kept as there would be if it were scattered throughout the country; if the Bank of England, which is obliged to meet all its notes when brought in, keep a reserve to meet those notes, then the amount is the same, though it is not scattered throughout the various banks.

122. Has it not practically been the case, that whenever a large amount of gold has accumulated in the Bank of England, but which was below the metallic basis necessary for the convertibility of their notes, there has been a temptation on the part of the directors to send that money out to America, for instance, or to get rid of it in some other way, in order to make a profit for their proprietors?—I think it is quite clear that there has been that strong temptation, which has been yielded to on several occasions.

123. Is not that at variance with the sound principles upon which any bank, either private or public, ought to be established?—I think it is.

124. Therefore you disapprove of the legal tender clause, which takes away from the other banks that prudence which would give a broader metallic basis?—Yes; I think it would be better if it did not exist, especially looking at it in connexion with the circumstances which have now been adverted to; I think, on that account, it is exceedingly undesirable, for it places all the holders of Bank of England notes in this peculiar position, that all have been taking these notes as reserve, and they form a perfectly good reserve up to a certain period; but

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they may become, by acts over which the holders have no control, so much waste-paper in discharging the claims upon them. If the legal tender clause is continued, you must have the notes of a bank which has stopped payment made a legal tender, or you must have that which, up to a certain period, has been a good reserve, rendered, by acts over which the community have no control at all, utterly unavailing; and I think the case would have been found to be most critical under the late circumstances. Suppose with 200,000 *l.* of notes, when I saw the Bank of England getting, as I have no doubt it was, into very great difficulty, I had gone to Mr. Fletcher, at the branch bank, and said, "We have put this off as long as we could but we dare not put it off any longer; we must have gold for these notes," in what a position the Bank would have been. There were probably seven or eight hundred thousand pounds' worth of notes in Liverpool, from what I could gather, with the bankers and merchants, kept as their reserve.

125. Mr. Goulburn.] Were they notes issued by the branch bank, or London bank notes?—That might be as it happened.

126. Mr. Thurnely.] But unless they were issued at Liverpool, they would not be payable there into gold!—The only difference would have been, that we should have sent a special messenger to Threadneedle-street, and another to Hanover-street, Liverpool, and the electric telegraph might have conveyed the rumour of it all over the kingdom, and the various banks through the kingdom might have done the same. I do not see what would then have prevented the Bank from exhausting its treasure, and I believe, firmly, it would have exhausted it.

127. Mr. Howe.] You stated that if the letter issued by the Government on the 28th of October had not been issued, the Bank of England would have been obliged to stop; what ground have you for that opinion?—The ground which I have just now mentioned, that, in the first place, supposing the London bankers had demanded their deposits, or if any disaster had taken place in any part of the country, I think there would have been a run upon the Bank for gold; I think also the necessity for the banks protecting themselves against their reserve becoming absolutely useless, and therefore, for converting that reserve into gold, would have caused a run upon the Bank for gold.

128. Are you aware that on the day, or in the week in which that letter was written, the amount of deposits in the Bank of England was 14,000,000 *l.*, and that the amount of notes and bullion in the Bank of England, and in all their several branches, did not exceed 1,500,000 *l.*?—I believe so. The return states that it did not exceed 1,500,000 *l.* I have stated my reason for thinking that the Bank would have stopped if that letter had not been written. With the very small amount of notes which they had, if there had been any considerable amount of deposits of the London bankers demanded, that might easily, with other things, have exhausted the amount of notes, and the slightest difficulty then would have inevitably caused a run for gold, and when that run once begun, it could scarcely have been stopped. I should think that the reserve could hardly be less than seven or eight millions in the hands of country banks from what I gather from my communications. I know that one country bank that usually has not above 3,000 *l.* or 4,000 *l.* in notes, on this occasion it had 37,000 *l.* in notes, and 13,000 *l.* in bullion. Country bankers are estimated to have a reserve of 3,000,000 *l.* in ordinary times. Now, I think that a double reserve is the very least we can suppose they had in October, which would be 6,000,000 *l.*; and when we consider that, in addition to that, there are all the notes held by the public, I feel as confident as I can be of any fact that has not actually taken place, that the Bank of England would have stopped payment both in its banking department and issue department.

129. Are you aware that it has been reported that the Bank did not act upon the permission given them by the Government, and, if so, how could that affect the difficulty?—Simply because the whole mischief was the want of confidence; and confidence was at once restored by the letter of the Government.

130. With so small an amount of balance in their hands, supposing the whole to have been in London, and with the large amount of deposits of London and country banks, you consider that in that state of alarm a single obstacle being thrown in the way, would have given a key, as it were, to every bank in the country to have demanded gold?—I think it would.

131. You do not consider that that is a state of things such as the credit and industry, and all the property of this country should be placed in?—I do not.

132. Are

132. Are you aware that the Act of 1844 (Sir Robert Peel's Act), was held out as a means of preventing the possibility of bank notes at any time being unchangeable on demand?—I am.

133. You have stated that you do not think it has answered its purpose; how do you explain the opinion you have given that it has not answered its purpose; have you known any notes actually refused payment?—No; I have never known of notes being presented anywhere for which gold was not to be had; but I believe they would have been equally convertible, as far as that went, if the Bill of 1844 had not existed; and I believe that in neither one case nor the other, if this pressure and alarm had come on, would they have continued convertible. The Bank has not done more than was done before the Act of 1844; notes never have been rendered inconvertible since 1819; therefore it is not fair to suppose, because they continued convertible, that the Act had rendered them so.

134. Do you consider that that Act, from the confidence which it inspired, rather encouraged parties to increase their credits than otherwise?—No, I should not think it did; I should think, if it had any effect at all, it was rather of a premonitory and restrictive character; as far as that went, it was good; but, as far as I can judge, I do not think it has had effective operation.

135. Then the result of your consideration is, that it has had very little effect one way or the other?—Exactly.

136. Mr. Goulburn.] But the effect has been premonitory?—The effect has been, to a certain extent, premonitory.

137. Mr. Chancellor of the Exchequer.] And so far good?—Unquestionably so far good.

138. Mr. Haime.] You have stated that great loss has arisen to the country from these two panics; have you formed any, or can you form any, estimate of what the general interests of the country have suffered from those crises?—I have seen very large estimates formed; but I think it is extremely difficult on this large question to form accurate estimates; a very large portion of the property that has been depreciated has been of a kind that will ultimately rise again in value; but I think it has had the effect of destroying a good deal of property, and if not of reducing a great many persons to a state of insolvency, at least depriving them almost entirely of their property, by forcing them to make sales which would not otherwise have been necessary; and I think that that has contributed to break up the channels of commerce, and to make it difficult to restore them.

139. Do you not think that there is scarcely any sacrifice, within fair bounds, too great to be made in order to avoid such a crisis again?—I do, indeed.

140. You have been asked respecting the bullion in the Bank of England, and whether you expected that they were to keep 11,000,000*l.* in the Bank unemployed; do you consider that the public interests ought to depend on the opinion of the directors of that Bank, whose duty it is to consider the interests of their own proprietors and not those of the public at large; do you think that that state of things ought to continue?—I think nothing is more dangerous to the community than its continuance.

141. Do you not think, looking to the remarkable changes in the rate of discount which appear here from 4 to 2½, and even to 1½ per cent, made by the Bank of England, that such reductions of the rate of interest have tended very much to encourage speculation in commercial affairs?—I feel no doubt of it.

142. Do not you consider that the practice by which the Bank of England and great houses have of late years adopted of discounting bills for one, two and three years, has been very detrimental to the commerce of the country?—I am not aware that the Bank of England has done that.

143. You are aware that bills are now drawn from India and other places, and that they are discounted by some parties?—They never happen to pass through my hands, and I do not know.

144. Looking at the situation in which the central bank, the Bank of England, is placed, do you consider that it is right or wise legislation to continue to them the privileges which they have with reference to the circulation of notes in the metropolis, and other privileges which they possess?—I am hardly prepared to give a decided opinion upon that.

145. From your experience, do you see any reason why banks should not be allowed to issue promissory notes of 1*l.* or 5*l.*, or to any extent, as well as a commercial

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mercial party who is allowed to issue his promissory note for ten, twenty, thirty or forty thousand pounds; do you know any reason why a different law should be enacted for one trade from that which is enacted for another?—Does the question imply the existence or non-existence of one national bank of issue?

146. I am supposing that out of the question; the question is, whether you conceive banking generally to come under a different category from any other business?—I think it does; I should be rather averse to changing the system without a good deal of reflection from one national bank of issue, whatever that might be, or under whatever control it might be.

147. The question refers not to the bank of issue, but to the banking department?—If it be thought expedient that the lowest note in circulation should be 5*l.*, in order to secure a broader metallic basis, I should object to banks at their will issuing 1*l.* notes.

148. Do you think that if bank notes were restricted to 5*l.*, looking at the state of the smaller holders, it would be wise or prudent that all parties issuing notes as currency or circulation should be called upon to give security to the Government for the amount of their issues, so as to prevent any ultimate loss from the banking business?—It does not appear to me, as far as I have considered it, necessary; the public have to estimate the value of the notes which they take.

149. You do not consider that security would be necessary?—I do not.

150. If banks were allowed this free trade in issuing, as parties are in every other business, leaving the public to judge how far the notes issued were good or bad, do you consider that no Parliamentary interference with the business of the Bank would then be necessary, except always to preserve convertibility on demand?—I think that there is a very decided advantage in having only one bank of issue, in there being only one institution which is allowed to issue notes at all; and if I have given any answer inconsistent with that opinion, it is because I have not understood the question.

151. Do we understand you to mean that no private bank should be allowed to issue private bank notes?—I should prefer, when their present privileges have expired, that private banks should not be allowed to issue private bank notes, but that there should be one bank of issue.

152. In fact, that there should be an establishment under Act of Parliament for the issue of such notes as may be requisite for the service of the country?—Yes, I prefer that.

153. That being always based upon the precious metals, in order to prevent the possibility of any refusal to convert them into gold?—Yes.

154. *Mr. Thornely.*] In the early part of your evidence, you expressed your approval of the Act of 1844 as to the present restrictions on the issues of private banks?—I did; and I consider that Act only a step towards depriving the private banks of the power of issue at all.

155. *Mr. Hume.*] You stated that the amount of discounts had not affected much the amount of issues; will you state what course you adopted when money became scarce in Liverpool, with reference to your own discounts; did you increase the rate of discount?—We did; we increased it at one time to the bank rate; the bank rate in Liverpool is always, for some reason, which is quite unintelligible to us, one per cent. more than the bank rate in London; therefore it was 9 per cent. in Liverpool when it was 8 per cent. here, and we increased ours from 6 to 9 per cent.

156. Did you find that that great increase had much effect in preventing the sacrifices which the public had been obliged to make in obtaining discount?—As far as we had an opportunity of judging, we should say yes, that they would much rather pay the higher rate of interest than make the sacrifice of their property.

157. Consequently, the rate of discount afforded no criterion of the loss to individuals in maintaining their credit at that time?—No, it did not.

158. And you think it is the duty of the Legislature, by every means in their power, to prevent such a commercial crisis taking place?—Certainly.

159. Are we to understand your opinion to be, that, widening that metallic basis, and adopting the other means you have suggested, would tend to prevent the possibility of the recurrence of such a crisis?—I think it would.

160. *Mr.*

160. Mr. Cayley.] Have you much experience of private issues in Liverpool and Lancashire?—In Liverpool and Lancashire, none; but I have seen a little of the nature of country issues. A. Hodgson, Esq.

161. Where?—I had an opportunity of seeing a little of a bank in Leicester-shire, but it was very slight. 8 February 1848.

162. The circulation of Lancashire is carried on in bills and Bank of England notes, is it not?—Almost entirely.

163. Has it occurred to you that more calamities have occurred in Lancashire and in London, where bills and Bank of England notes are principally circulated, than in those districts where country bank notes have been issued?—In the late pressure very decidedly so, from what I gather from reports.

164. And yet you would put down private circulation?—Yes.

165. You say you do not know whether the Bill of 1844 has operated to produce the pressure; did you ever know on any other occasion of pressure the Bank to refuse to discount bills?—I do not think I do. On all former occasions we had an arrangement with them, by which they would take any bills that we gave them, and, if necessary, hold them in London for a short time till they could be discounted in the London market; but previous to this late pressure they had practically rescinded that arrangement, and I do not think I ever remember any instance of their positively refusing.

166. Did you ever on any previous occasion hear of a circumstance such as that which you related of Messrs. Hornby being refused by the branch bank of Liverpool the discount of their bills?—Never.

167. Do you know any circumstance arising out of the present pressure which could have led to such a state of things if it had not been for the Bill of 1844?—I think it might as likely have arisen from the nature of the mind of the governing power at that time at the Bank, as from the operation of the Bill of 1844; it would depend very much upon the views of the persons administering the affairs of the Bank at that time.

168. But the Bank of England having a freer exercise of its own discretion before the Bill of 1844 than subsequently, the same thing did not occur then?—I am not aware of its ever occurring.

169. Did you ever know commerce to be so broken down as it is at the present time?—I have known larger and more general losses; but I have never known commerce to be so perfectly broken down, and all its channels broken up.

170. You never knew commercial men so disheartened as at the present time?—Never to compare with it.

171. You never knew so many men disposed to enter into a liquidation of their affairs as at present?—Never.

172. Do you think the two crises of last year has been caused at all by improvident speculation?—If there has been any improvident speculation, it must have had some tendency to increase the late pressure; but there have been many periods when there has been a vast deal more of improvident speculation which has occasioned no pressure at all.

173. Would you say that solvent houses have been as great losers as insolvent houses?—The insolvent houses have probably had to make greater sacrifices previous to their actual stoppage than solvent houses have been called upon to make; but solvent houses have participated very largely indeed in the losses of insolvent houses.

174. If the solvent houses have suffered, such a state of things can hardly be attributed to over speculation?—I do not by any means consider that it can; but the form in which the question was asked first rendered it necessary for me to say that if there has been any over speculation, it has had a tendency to increase the pressure, but I consider that its effect has been extremely small.

175. If the currency had remained in the same state this year as last year, what proportion of houses in Liverpool which have fallen would have been standing now?—May I ask what is meant by the currency remaining in the same state this year as last year?

176. If there had not been that announcement made in April of refusing discount in consequence of the reserves in the Bank of England being so low?—I think some of the houses which have become insolvent might not have become insolvent; but I think the greater part of those which have become insolvent, had been too largely extended.

177. In the early part of your examination you described the trade of Liverpool as being in spring in a sound state?—We quite thought so, and I still think so; I think

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there was nothing in the ordinary state of things which would have induced one to say that trade was in an unsound state, but there was this peculiarity connected with it, that almost everybody engaged in commerce had been engaged in railways; and a very large expenditure was beginning to take place in railways which was telling upon the mercantile houses, and almost all mercantile houses had begun to starve their business more or less for investments in railways, but there had not been an unsound extension of credit; there had been a starving of business, by taking part of their commercial capital for railways; but I think there had not been in general an undue extension of credit, though it was so with particular houses.

178. If the business of merchants had not been starved by what you call investments in railways, would not such a fact as you have described of Messrs. Hornby being refused discounts upon their bills have been sufficient to create a panic in the commercial mind?—I think not; it was so extreme a case that persons would have inquired whether it was general or not; it was a single case, and I do not think a single case, taken alone, would have had the effect.

179. Your objection to the present system is, that, losing a few millions to pay for corn, and to ratify the exchanges, deranges the whole commercial state of the country, which extends to some hundreds of millions?—Yes.

180. You think that the main difficulty of the present system of currency is, that in consequence of the export of bullion, to restore the exchange, the whole of the internal transactions of the country suffer very materially?—I do.

181. And you consider that that state of things requires a remedy?—I do.

182. Supposing there was the broader basis for the circulation which you recommend, of what would you constitute that broader basis?—I have already stated that part of it would be in bullion. In the first place, it would be made broader by the repayment of the capital of the Bank of England, of which some part might be retained in bullion and some part in securities, which might be easily converted, and, if possible, some part in foreign securities, which might give us the means of paying foreign debts, without deranging the monetary affairs as it does at present.

183. Would you permit silver imported into this country to be part of that basis?—I am not prepared to say.

184. Have you any idea what proportion the silver imported into this country bears to the gold imported?—No, I have not.

185. Do you consider that the evils of the present system approach to the evils to be apprehended from a state of harter?—I do not think they approach very near it; they may perhaps be said to be in that direction.

186. Was not commerce at a stand for want of currency during the late pressure?—It was.

187. Then the anxiety to secure perfect convertibility has led to the very evil it was intended to prevent?—I cannot say that the attempt to secure perfect convertibility has had that effect.

188. Supposing the Bank Act of 1844 has produced the evil of the crisis that has followed after the Act of 1844?—I do not know that they have been occasioned by the Act, for I cannot see the connexion without knowing what the line of policy of the governing body otherwise would have been.

189. Will you describe what are the evils of a state of harter?—I think there would be a very great inconvenience in having to manipulate the large commodities that you would have to exchange, instead of paying for them in money.

190. Did not commerce arrive at that state during the pressure?—No, nothing like it.

191. Did not you say that there was an absence of bank notes?—A scarcity of currency was what I said.

192. Messrs. Hornby's bills, backed by the Bank of France, and having three days only to run, were refused discount?—Yes.

193. Did you consider that there was the means of carrying on the commercial transactions at Liverpool at that time?—At the very time that those notes were refused, the Bank of England was assisting the currency very largely in Liverpool.

194. Did bankers' bills increase very much at that period?—I think they did; we received a larger proportion of bankers' bills than we usually received.

195. If there was an absence of the usual currency of Bank of England notes bills of exchange and bankers' bills, would perform the functions of the currency?—They would.

196. Does

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196. Does it fall within your knowledge, that bills of exchange, commercial bills, have been what is called melted into practical currency by means of bankers' bills?—We are in the habit of receiving bankers' bills, and what you describe as bills of exchange promiscuously; a heap of bills is brought in to us, twenty of them, perhaps, bankers' bills, and some other kinds of bills, but I have not known one melted into the other.

197. Have you known such a transaction as this, a person coming to the bank in Manchester, and asking to have commercial bills discounted, and the banker not offering bank notes in exchange, but offering a draft upon his own house in London, in order to convert the commercial bills into currency?—I have no knowledge of such instances.

198. Have you never heard of such a transaction taking place on the part of Messrs. Jones, Lloyd and Company?—I do not remember ever hearing of it.

199. Has it occurred to you that less fluctuation of currency might occur if the managers of it adhered to a more uniform and moderate rate of interest?—I am not quite sure of that; the fluctuations in the exchanges would require occasionally, I think, a higher rate of interest. I am not prepared to answer that question.

200. If the broader metallic basis which you recommend were established, would you advise that the issues of the issuing body should fluctuate as much as they now do, by the operations of the foreign exchanges?—I should think that even with more steadiness in the administration of affairs they would fluctuate.

201. And you think it very desirable that the currency should fluctuate in consequence of the operations of the foreign exchanges?—As far as is necessary for the rectification of the foreign exchanges.

202. What proportion does the bill circulation of Lancashire bear to the Bank of England note circulation?—I have no idea at all; I should think that the bill circulation was greater than the circulation of the Bank of England notes; but the proportion I do not know.

203. Does the bill circulation form, to all intents and purposes, the practical circulation, as far as it goes?—Quite so; the same amount would not tell in the same way on the general currency, because it would not circulate so quickly; it would be retained, because there was no loss of interest upon it; 100,000*l.* of Bills would not be the same as 100,000*l.* worth of notes; for they would circulate much more slowly, and therefore would not tell in the same proportion upon the circulation.

204. But any thing suddenly affecting the convertibility of bills of exchange would, to a proportionate extent, create a similar pressure as would be induced by any measure preventing the convertibility of bank notes?—It would create great inconvenience; but any thing that affected the convertibility of bank notes would create great alarm also; the two cases are not exactly parallel; the want of convertibility of the bill of exchange would create some alarm, but the want of convertibility of the Bank of England note would create greater alarm.

205. The pressure in April and October produced by the announcement of the Bank of England created, in point of fact, an obstruction in the way of the usual convertibility of bills of exchange?—Yes, a very great obstruction.

206. And that produced the great evils which occurred in Liverpool and in Lancashire?—It was the form in which the evil was produced.

207. Should you say that the railway calls had had a great effect in producing the pressure which there was in April and October?—I should say that they had had hardly any effect at all in producing the pressure in April; I should imagine that up to April, and up, perhaps, to the summer, they had increased the power of bankers in some respects rather than diminished it; for the expenditure had not been nearly so rapid as the calls; the consequence was, that most of the banks had rather a large amount of railway money in their hands in the beginning of the year. In the summer that melted gradually away, and on the 31st of December it was materially less. One cause, I have no doubt, of the pressure in October was, the gradual diminution of the railway money in the bankers' hands; between the 22d of April and the 31st of December the railway balances in our hands were reduced one-third; and the railway calls have also had this effect, I have no doubt, very strongly throughout the Kingdom; they have been gradually draining the deposits of bankers, and the amounts of credit balances in the banks. In our own case I can state the proportions, if it is wished.

208. Mr. *Chancellor of the Exchequer.*] Will you be kind enough to do so?—Our lodgments for deposits,—I mean not money passing in and out of the account;

A. Hodgson, Esq. but steadily remaining as deposits, upon which interest is paid, some being in small sums, and others in large ones,—diminished between the 22d of April and the 31st of December one-third, and that was taken out, as we believe, for investment in railway securities. Our credit balances, in the same time, diminished nearly one-half, but that has been affected rather by some peculiar circumstances. I know in the case of other banks in our own town there has been a very steady and large diminution of the sums in their hands as deposits.

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209. *Mr. Thornely.*] Were these credit balances cash, or bills of exchange, or were they received in the ordinary way?—The credit balances were the result of the workings of the general account, which is a mixture of cash and bills, and there has been a steady diminution of these for about a couple of years; evidently persons taking them out of the Bank, thinking that they would get more interest by placing them out in railway debentures, where they could get five per cent. upon good security; the banking power of the country has been most essentially affected by that circumstance, and that must be added to the other causes of pressure; that is not to be attributed to the Bill of 1844; it is something extrinsic to the Bill of 1844, which has been operating. In the case of a country bank in one of the midland counties, the reduction is fully in the proportion of one-fourth; I have the figures, but I am not at liberty to give them; it was one-fourth of their whole credit balances.

210. *Sir William Clay.*] Within what period?—Within the year 1847; and it is a large bank.

211. It was a diminution of one-fourth of all their deposits taken in the aggregate?—Yes, on credit accounts.

212. *Mr. Copley.*] Is that the average for the whole year?—At the end of December they had only three-quarters of what they had on the 1st of January preceding.

213. *Sir William Clay.*] In the case of your own bank the diminution amounted to a third?—The diminution is one-third upon lodgments at interest, and one-half on credit balances also at interest.

214. *Mr. Hudson.*] When was it taken?—On the 31st of December.

215. You had the run in that time?—Yes; that amounted to 100,000*l.*, but a part of that came back again.

216. *Mr. Alderman Thompson.*] That was returned to you?—Yes, and some of it in the very notes in which it was taken out. I stated that the proportions were one-third of the lodgments and one-half of the credit-balances; taking them together, it has diminished in the proportion of 13 to 7.

217. *Mr. Copley.*] You are now speaking of the Bank of Liverpool?—Yes, but I also give the instance of a country bank in one of the midland counties.

218. Is it not usual in times of pressure for deposits and credit balances to be diminished?—Very little so indeed; in our former pressures, in 1837 and 1839, I think we did not lose any of our deposits; but previously to this last pressure the drain of deposits had commenced.

219. To what extent?—It was going on slowly, but steadily; there was evidently a drain which had commenced a year and a half ago.

220. What proportion of the balances did you lose before April, as compared with the proportion that you lost after April?—The greater part was lost between April and December; but in speaking of our own case, the credit balances were unusually large, from one or two particular circumstances; therefore the reduction would be larger than it would be in many other cases.

221. Has a very considerable diminution taken place since the failure of the Royal Bank of Liverpool?—I think less than had taken place previously to that.

222. Were the banks at Liverpool at all discredited during this pressure?—They were discredited, as was evidenced by the run for three days upon us.

223. That would tend very much to diminish your credit deposits?—Yes.

224. *Mr. Thornely.*] Three joint stock banks in Liverpool stopped payment?—Yes.

225. *Mr. Copley.*] You say that in the case of one bank that you know in the midland counties, and in the case of your own bank in Liverpool, there has been a general tendency to diminish the deposits, and you attribute that to parties investing those deposits in railways?—Yes.

226. Can

226. Can you at all describe the circuit that the money invested in railways takes?—I conceive that it goes through the hands of all the various persons who supply the tradesmen and others with food, and so on, and that at last a good deal of it is fixed in the railway.

227. Where does the money go that is paid to the tradesmen?—I think it ultimately gets fixed in railways in this way. Contrast it with the way in which money is expended in the ordinary operations of commerce and manufactures. In both cases it passes through the hands of all the various persons who supply the tradesman and labourer with necessities; but the ultimate result is, that in the one case you have a cargo of manufactured goods which you can exchange with foreign countries for sugar or cotton; in the other, you have a railway fixed in the ground, and the greater part of the money expended has become fixed instead of floating capital.

228. With reference to the circuit that you have described this money to take, going to the labourer and tradesman, and then to the general dealer, do you mean to say that after going to those persons it actually becomes sunk beneath the rails of the railway, and is so fixed?—I do not mean to say that; but I mean to say that at the end of the process, in the one case, you have something that you can exchange with foreign parties, and in the other case you have something which you cannot exchange: I think it may be partly illustrated in this way—supposing a farmer has been in the habit of employing 1,000*l.* as capital in his farm, and he takes it into his head to build a barn, and to apply the 1,000*l.* for that purpose, that 1,000*l.* is no longer floating capital with which to carry on his farm; but it is fixed in the barn; but these are very rhetorical points, and I do not profess myself to be capable of following them out in a public examination.

229. Would you not consider it a fairer description of the operation you describe, to say that the farmer had exchanged the 1,000*l.* with the builder of the barn, who had left him the barn in exchange?—I may be wrong, but I do not think that is a fairer mode.

230. The railway calls have gone on almost unchecked since December?—Yes, they have.

231. How do you account for the present cheapness of money, if you attribute any degree of the previous dearth of money to railway calls?—I cannot account for it but by the almost perfect destruction of commerce, and the almost total want of means of employing money.

232. Mr. Spooner.] Will you state rather more accurately at what time of the year you found the most rapid reduction of deposits for interest?—I think it was between May and September.

233. During those months there was a very considerable pressure for money, and the rate of interest had been raised?—We did not see any particular pressure for money at that time; things were going on easily.

234. Was not the rate of interest raised for discounts at that time?—Yes, but that did not produce any appearance of pressure.

235. Is it an indication of the increased value of money, the rate of interest being raised?—It is an indication of the increased value of capital.

236. Of money?—Not money, as compared with commodities.

237. But, abstractedly speaking, if money bears a greater rate of interest at one time than it does at another, should you not say that money was at that time more valuable than it was when it bore a lower rate of interest?—In one sense I should say it was.

238. Is not that likely to make a demand for the money which is lying idle in your hands as deposits; and are you not likely to have less money lying in your hands when money bears a high rate of interest than at other times?—Certainly, and that is the cause to which we attribute it.

239. How do you attribute that to railways?—It arises in this way; there are opportunities of investing deposits in railway debentures on good security at five per cent., which did not formerly exist.

240. When the money is so deposited in railways, is it not immediately paid away?—Yes, I conceive it is.

241. Then somebody possesses that money, though you do not?—Yes.

242. Then the power of circulation is as great, though it has been drawn out of your hands, as if it had been lying in your hands?—The amount of currency may be as great; I do not consider that the amount of capital is as great.

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243. The power of circulation is as great when it is in your hands as when it is in the hands of any body else?—Yes.
244. Was it not to the diminished power of circulation that you attributed the distress in April and again in October?—I attribute it to the difficulty we had of obtaining discounts from the Bank of England.
245. To the lessened amount of money?—The lessened facility for converting a certain species of circulation into money.
246. What created that increased difficulty of conversion?—I think it was occasioned by the action of the Bank, and they can tell best what was their motive for making that action.
247. They did, in point of fact, make money more valuable?—They did.
248. That, then, is not the operation of the railways, but of the Bank, who took that step?—The Bank may have done it in the way you mention, and the railways may have done it in the way I mention.
249. Is there not a receiver for every payer of money which is paid in to railways?—Yes.
250. That money cannot be taken out of the money market; it is still in circulation?—It appears to me that we are getting into a little confusion, from not distinguishing between circulation and capital. The transfer goes on; but in the one case you have, as the result, a room full of calicoes, and in the other case you have the embankment lying in that field. The results of the two are quite different; for you have something you can exchange in the one case, and you have nothing you can exchange in the other.
251. At any rate, the money which is paid for calicoes and the money which is paid for the railroad is still in circulation, and is in itself equally exchangeable for other commodities?—Yes.
252. Mr. Chancellor of the Exchequer.] Do not you conceive that this examination proceeds upon a confusion between circulation and capital?—I think entirely so.
253. Mr. Spooner.] You have stated that you cannot give an opinion whether the Bill of 1844 at all contributed to the distress of the country, because you do not know what the mind of the directors would have been if the Bill of 1844 had not been in existence?—Exactly.
254. Do I understand you rightly, then, to say that the immediate effect of the letter from the Government to the Bank was to restore confidence, and, restoring confidence, to create great ease to the then existing pressure?—Yes, the effect was immediate and great.
255. It acted in that way by restoring confidence?—Yes.
256. Was that confidence restored by the consciousness that if any one wanted money they could have it?—Certainly.
257. If the Bank had not been limited by the Bill of 1844, in its circulation upon securities to only 14,000,000 £, would not the confidence that you might have got money when you wanted it have existed?—If the administrators of Bank affairs had thought it expedient, looking to the amount of their bullion and their obligations, to give us the same refusal to discount bills, if that Bill of 1844 had not existed, we should have been in the same state, and we really cannot tell whether they would or not.
258. What reason have you to suppose that with a large amount of bullion that they had in their hands, if they had not been restricted in the amount that they might advance on securities, they would have refused to discount?—Because I do not think the amount of bullion then in their hands was at all more than adequate to meet their obligations.
259. Do you recollect the amount?—It was reduced to about 3,000,000 £, of which more than one million was silver, and therefore could not be legal tender.
260. Have you not often known that before the Bill of 1844 the bullion of the Bank was reduced to 6,000,000 £, without having created that want of confidence, and that state of distress which existed in 1847?—Yes.
261. Why should you suppose that if it had not been for the Bill of 1844 it would not have had the same effect in 1847 as it had before?—I cannot tell whether it would or not, without knowing the views of the Governor; I do not think the amount of bullion at that time was greater than required for the business of the Bank; and the fact of their having thought a less amount sufficient on a former occasion, would not in itself lead me to a different conclusion.

262. You

262. You have, I believe, given your opinion in print, that it is exceedingly desirable that this Committee should inquire not only into the effects of the Bill of 1844, but into the whole state of the currency of this country?—I believe I have said that I thought it very desirable that they should inquire whether the currency of the country cannot be placed on a sounder foundation.

263. Will you point out to the Committee what was the sounder foundation which you had in view?—A larger metallic basis, and a steadier administration of the affairs of the Bank.

264. How would you seek to attain a more extended metallic basis?—The first practical act that I would propose would be the re-payment to the Bank of England of its capital; and that that should be employed in whatever way those who had the charge of it should deem best, with a view to make the proportion of bullion more adequate to their wants.

265. Then, supposing the capital repaid, with a view to extend the basis of this currency, what would the next practical act on the part of the Bank be to carry out the object which you have in view?—That seems to involve the whole question of the nature of the administration of the Bank, which I am not at all prepared to go into; I think I may express an opinion as to great and important means being adopted, if it is possible, of placing the currency upon a better foundation, without professing to be capable, especially without reflection and thought, of going into all the details of a matter of extreme difficulty and delicacy; I am not prepared to state the precise mode in which it should be carried out.

266. Mr. T. Baring.] Supposing the Bank notes to be paid back, for the 11,000,000*l.*, is it by cancelling bank notes that you would make a larger metallic basis?—I would by no means cancel the 11,000,000*l.* of notes, but I would obtain, with the use of those eleven millions, either bullion or any security which might be thought more expedient for the basis.

267. By importing gold?—Yes; the administrators of the Bank should have the power of using that capital in importing gold, or buying foreign securities, or in any other way that they might think expedient for the administration of the affairs of the Bank.

268. They would not get their gold by exporting bank notes?—Supposing the Government paid them back their debt, the Government would probably give them negotiable securities, instead of a mere I. O. U., which they held at present; the Bank would then have the power of selling them; the debt of the Government is not a nominal thing. I am quite aware that the Bank has the power of issuing fourteen millions of notes instead of their capital, but that is a different thing from having that capital in hand; and supposing the circulation had got down to fourteen millions, the holders of those fourteen millions might press for the payment in gold.

269. But they would not get an increase of gold by the plan that you recommend?—Yes, by degrees they would, in the same way as any other person who possessed capital would get it. The Government does not pay a nominal thing. The Government owes a real debt of 11,000,000*l.*; if the Government pays that to the Bank, the Bank has the power of acting with it in the same way as any merchant or any body else might do.

270. Suppose the Government to pay back in consols, could they be sent abroad?—They might be sold in this country, and realise eleven millions.

271. You must then export the produce of this country to get gold?—By degrees it might be done.

272. By forcing down prices here?—It does not follow that there would be any immediate forcing down if it were done gradually. Here is a positive capital of eleven millions; it is not a nominal capital, but a real one. A person who has the use of a capital of eleven millions can, if he chooses, contrive to get gold for it in the same way as merchants get gold.

273. Merchants get gold by the course of trade, but I do not see how the Bank could influence the course of trade?—Merchants get gold by means which the course of trade has influenced, and I do not know why the administrators of the affairs of the Bank should be in a less favourable position for getting gold than the merchant, and at any rate if they felt themselves to be so, they might employ merchants to do it. I do not see how a person with a real capital of eleven

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millions can be at a loss in the markets of the world in getting gold. It does not follow that the persons who get the gold must export manufactures; they might buy bills for the purpose of raising gold in the markets of the world, but I do not know why those who happen to be the managers of the Bank should have less power of getting gold than any other persons would have.

274. Mr. Spooner. I was asking you to explain the practical working of your plan: presuming the Bank and the Government came to an agreement that the Government should pay off the Bank, how would you propose that the Government should pay off the Bank; what should they give the Bank for their debt?—I do not think that I am bound, in consequence of expressing a wish that they should do this, to point out the precise mode of doing it; there are many modes in which they might do it. Government might give them negotiable securities at three per cent.

275. They might transfer to the account of the Bank of England a certain proportion of the National Debt, that is not gold, that does not increase the metallic basis; what would be the next step?—Supposing they went to any of the persons connected with the foreign exchanges, and the importers of gold, and said, "We place in your hands such a quantity of Consols, and as gold can be obtained, have it imported for us," I conceive that they would have no difficulty in doing so.

276. Then Consols being in the possession of the merchant, and not in the possession of the Bank, what step must the merchant take to purchase gold?—He may purchase foreign bills, and he may send these foreign bills to France, or any other country. He may desire parties there to purchase gold with them, and if there is any gold coming into the country from any part of the world, there is no reason why the merchant may not get it as well as anybody else.

277. Would not the immense demand for foreign bills which would be created in the market by the conversion of Consols into bills, be more than equal to the supply?—It does not follow, and it would never be within anybody's contemplation, that either the repayment of the debt or the conversion of negotiable securities into gold should be a sudden act; but I can see no difficulty whatever in its being done.

278. You propose, then, that it should not be an immediate payment, but a payment by degrees?—Yes.

279. Have you at all turned your attention to the question in what instalments you would recommend the debt to be paid?—I have not felt that it would be my province to go into that consideration.

280. The effect would be, whether immediately or by degrees to get an increased demand for gold from the continent, which must be paid for by this country?—No doubt.

281. In what should you suppose that payment would be made?—It would be made in the same way as all the gold which we have had at various times coming into this country has been paid for; it has been paid for by the balance of our exports.

282. Have you at all estimated what the immense export of gold which has taken place within the last six months has cost this country in the way of depreciation of the value of labour, and of property of all kinds in this country?—I have never gone into the calculation.

283. With your great mercantile and banking knowledge, you must know something of the depreciation which has taken place in the prices of all commodities?—I know that a great depreciation has taken place.

284. Has not that been occasioned by the sacrifices which have been made to bring gold into this country? take, for instance, Consols; they have fallen to 79, and we have every reason to believe that that led to great investments by foreigners, and drew gold into this country; but do you suppose that gold to this increased amount would come into this country without some corresponding decrease in the price of property of all descriptions?—I do not think it would, and I think it is to be regretted that so large a fall has taken place, and that it has been so sudden; I think the fall has been unnecessarily great; I think the stringency of the operations in the discount market has been too severe, and that it has brought gold in much more rapidly than it was necessary it should do.

285. Would not the payment to the Bank by the Government of the debt draw out of circulation a corresponding amount of the present circulation?—For a time it would,

would, but the argument, if good for anything, would go to the extent that Government is never to pay back the debt. *A. Hodgson, Esq.*

286. Do you believe that the Government can pay back the debt without decreasing the circulation of this country; from what source is it to pay the debt but from that?—It cannot do it suddenly, but I conceive that it might be done in the course of years, without having the effect which you ascribed to it. *2 February 1848.*

287. Mr. T. Baring.] Can you give any opinion as to the effect upon the export trade of the great difficulty which existed in discounting?—For a time it almost suspended the export trade.

288. By the impossibility of getting discounts?—Yes, it has almost suspended the export trade, and in that way has retarded the adjustment of the exchanges.

289. The export trade being paid for by the bills which are discounted?—Yes.

290. You stated that if the pressure had continued in May, you think, it would have caused many solvent houses to stop, but that in October you do not think any solvent houses stopped?—I meant to say that none had come under my own observation that were solvent that had stopped; none of our own customers.

291. Do not you consider that if confidence had been restored before the 23d of October, some houses which have stopped would not have stopped?—I think it was of the greatest importance that the suspension of the Act of 1844 should have taken place earlier. I think if the letter of Government had been issued earlier it would have saved a great deal of mischief, and I think the exchanges would have adjusted themselves without any further action upon prices.

292. Do not you suppose that the want of confidence and the want of power of converting bills into money produced a great depreciation of property?—Yes.

293. And that that may have occasioned the failure of some houses?—I think it may; I am not aware that it has done so, but I am quite aware that it may have done so.

294. As far as that depreciation of property has been caused by the difficulty of getting discounts, the Bill of 1844 has had something to do with it?—It has had something to do with it; if we can prove that the refusal of discounts has been greater by the Bank of England than it would have been if the Bill of 1844 had not existed; but it has not had anything to do with it, unless that is proved or is assumed.

295. Before the Bill of 1844, do you recollect any case where the Bank of England refused discounts upon good bills?—I do not remember.

296. In 1839 and 1840, when a similar case occurred of this country being in debt to other countries, by the importation of corn, was there any refusal of discounts?—In 1837 I remember that the Bank of England suddenly sent down to Liverpool, saying that they would take no bills upon three or four of the first houses in this country connected with America. I was then chairman of our bank, and summoned the directors immediately, and I came straight off, and saw the governor of the Bank of England, and a relaxation of that order was given; but that was very nearly producing a great deal of mischief; that was a refusal to discount the bills of American houses.

297. That did not occur from the difficulty of issuing Bank of England notes, but it occurred from distrust, or a belief that those houses were too extended in their business?—I think it did.

298. You say you cannot state whether the Bill of 1844 had any particular effect, because it would depend upon the more or less stringency of the Bank of England; but, judging from the past, do you suppose that a stringency would have been exercised in 1847 which was not exercised up to 1847; judging from the previous conduct of the Bank of England, do you suppose that such a case as you have mentioned of Messrs. Hornby would have occurred previously to 1844?—I am surprised at its happening now, and I should have been surprised at its happening then; but I really cannot say whether it was likely to have happened before or not; because, supposing the Bank did find it necessary to adopt a particular line of policy with reference to their proceedings, and come under certain rules, and to give certain directions to their agents, this case might have come under those rules as much as under the rules which they have laid down for themselves under the Bill of 1844. I have already said that I am not prepared to state that I think the course which the Bank has taken would not have been as stringent, supposing the Bill of 1844 had not existed; they may think in carrying out this stringent principle, that certain rules may be necessary

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to be acted upon, and this case may come within them, but I am not bound to account for that case of Messrs. Hornby, and I only gave it as an answer to the statement made to our deputation, that no good bills have been refused acceptance; it is important to show that there have been refusals.

299. Do you believe that that is a single case, or that other cases of refusals of discount have occurred?—I think I have heard of other cases, but I would not undertake to say so, unless I was able to substantiate them; I know that a very considerable number of our customers, when they found we could not discount for them, went to the Bank of England, and got discounts. The Bank discounted for a great many private persons, and increased its discounts in that direction, and it was of essential service to us and the community at large; I fancy the Bank never discounted so freely for private individuals as it did during the pressure.

300. A great deal of the business of Liverpool has been in bills, has it not?—Yes, but nothing like the amount it was formerly.

301. But still the buyers of goods have the privilege of paying in three months' bills?—For some particular kinds of produce it is very commonly done.

302. In the case of cotton?—Yes.

303. That is an understood arrangement?—Yes.

304. If it were impossible to convert those bills into bank notes at the then rate of discount, would it not create a serious inconvenience to commerce?—The greatest inconvenience.

305. The other bills you spoke of, bills for the South West Coast of America trade at three or four months, and indeed bills at six months; if business could be carried on at all without those bills, do you think the country could carry on the same amount of trade without them?—I think not; and I think it would be a serious injury if those bills were not capable of being discounted.

306. You stated that you thought the Bank of England was wrong in August 1846 in lowering its rate of discount, notwithstanding the exchanges were in its favour, and the amount of gold was greater than it ever possessed before, and its reserve of notes was 9½ millions; if the Bank of England is to act upon the circulation in the same way as a metallic circulation would act upon it, was it not justified in lowering its rate of interest, and issuing notes?—I think that that entirely depends upon the judgment it might form of the extent of unfavourable circumstances which were beginning to appear on the horizon, and if it could have anticipated so large a drain of gold as has since taken place, and which the failure of the potato crop in Ireland, and the bad harvests in England, would, I think, have perfectly justified them in anticipating; then I think it was wrong for them to reduce their rate of discount.

307. You think the Bank ought to exercise a discretion, and not to act upon regular rules?—I do think so; in the first place, wherever circumstances affecting the state of credit are at all brought into the calculation, they cannot go by regular rules; they must take other considerations into account, and advert to the probable state of things; I can hardly conceive of fixed and absolute rules being compatible with the intelligent administration of a bank, and still less with the management of the circulation.

308. You said that you wished that the Bank of England should not look to its profits; if it is to act in its banking department like other banks, it must look to the profit of the proprietors?—Unquestionably it must; and what I regret is, that it should have opposite duties imposed upon it, and I think that it is a radical vice in the constitution of the Bank of England, that it is expected to discharge conflicting functions.

309. What was the effect of the letter of Government, when it fixed the rate of interest at eight per cent. in Liverpool?—I do not think people cared one farthing whether it was eight or ten per cent., or anything more; the great question was, can we get our discounts?

310. What was your rate of discount before that letter was issued?—The rate we paid to the Bank of England on the 1st of October was seven and seven-and-a-half, and I fancy it would be at the same time six and six-and-a-half in London; we were always charged one per cent. more; on October the 7th, they were seven and seven-and-a-half; on the 18th, seven and seven-and-a-half; that is the latest which I have on record before the 23d, the day on which the letter was issued, and then it was nine per cent., and we charged nine per cent.; then we should probably have charged seven and seven-and-a-half, or perhaps a little more;

I have

I have no record of what we were exactly charging, but we never charged more than nine per cent, the bank charge. *A. Hodgson, Esq.*

311. The letter of the Government produced a rise from seven-and-a-half or eight to nine?—Yes. *8 February 1848.*

312. Was that the rate charged generally at Liverpool?—I should think it was; but I have no means of knowing precisely.

313. Do you consider a high rate of interest advantageous to the commerce of the country?—Certainly not.

314. Do you consider the way in which the rate of interest has varied in the last 18 months, beneficial or prejudicial to commerce?—I think *per se* it is prejudicial.

[Adjourned till Friday next, at half-past Twelve o'clock.]

Veneris, 11^a die Februarii, 1848.

MEMBERS PRESENT.

Mr. Chancellor of the Exchequer.
Mr. Disraeli.
Mr. Cobden.
Sir William Clay.
Mr. Alderman Thompson.
Mr. Herries.
Sir James Graham.
Lord George Bentinck.

Mr. Cayley.
Mr. Cardwell.
Mr. Hudson.
Mr. Glyn.
Mr. Thorneley.
Mr. Spooner.
Mr. Hunt.
Sir Robert Peel.

THE RIGHT HON. F. T. BARING, IN THE CHAIR.

Adam Hodgson, Esq. further Examined.

315. Mr. Chancellor of the Exchequer.] I THINK you stated that the first circumstance which called your attention, in April 1847, to any difficulty, was the announcement of the Bank of England to reduce the amount of discounts on bills running off?—Yes, I did. *A. Hodgson, Esq.*

316. You subsequently stated, I think, that no material reduction actually took place in the amount of discounts?—I did not exactly recollect what the reduction was, but I said that I thought there was no material reduction. *11 February 1848.*

317. Is not the result of your evidence that it was principally the alarm, and not the less amount of notes that were discounted which caused the panic?—It was so.

318. Can you state whether the amount of discounts which you received from the Bank of England had materially increased in the course of the preceding quarter, from January to April?—I have here a statement which I received last night, of the amount of discounts, beginning on the 13th of February; I will, if you will allow me, read a few lines; I have no account here at all in January; on the 20th of February it was 83,578*l*.

319. Is that on the general account?—Yes, on the general account, and not on the contract account.

320. Can you state the amount on the two accounts?—I cannot; then on April 3d it was 194,000*l*., and on May the 1st, 136,000*l*.; that being the point at which it was settled.

321. Then between the 20th of February and the 3d of April, your general discount account with the Bank had increased from 83,000*l* to 194,000*l*?—It had.

322. Can you account for that large increase of discounts?—I do not recollect any circumstances which would enable me to account for it; I should imagine that it was owing to more applications being made to us in the ordinary cases of business, but the amounts do fluctuate a good deal.

323. Would you attribute it at all to the increased amount of bills, which you say were presented to you in the course of those months?—It would arise from that cause partly, because we should discount bills that were presented to us; it

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came down at the end of April to 146,000*l.*, and on the 1st of May it was 136,000*l.*, and that was the limit at which it was afterwards fixed.

324. You stated that the parties drawing those bills had probably substituted bills for cash in consequence of the high rate of interest at which they would obtain money?—I stated, that they had probably received payments for their produce sold, in bills instead of cash, and that, therefore, they sent in those bills to as instead of cash, which, under other circumstances, they would have sent.

325. That is, parties paying for goods, substituted bills for cash in payment?—Yes.

326. And that you attribute to the high rate of interest which prevented them obtaining money, and therefore they substituted bills?—The high rate of interest induced parties in Manchester and other places to send, in payment, good bills instead of cash.

327. The Liverpool merchants obtained cash from you by discounting bills, which cash, under other circumstances, they would have received from their customers?—They did.

328. That probably accounted for the increased amount of discounts which you had obtained at that time from the Bank of England?—Probably it did in some degree.

329. Can you state the average rate at which you were then discounting?—I do not remember; I have no rate put opposite these figures.

330. Do you conceive that the state of trade at that time was such as to require an increased amount of circulation?—I am not aware that it was.

331. Were the general circumstances of the country such as to indicate an increasing amount of transactions, and an increase of trade?—I am not at all aware of that.

332. You have stated that an earlier action on the part of the Bank would probably have prevented the necessity for the stringent announcement which the Bank made in April?—Yes, I have.

333. How would that have produced the effect?—I think it would have produced the effect by putting the whole community in an attitude of self-protection; it would have given them an earlier alarm, and caused a contraction of their operations to a certain extent, and thereby diminished the general confidence that was existing, and would have made persons a little more careful.

334. After April, I believe you stated, that the feeling of panic and alarm entirely passed off?—It did.

335. The next circumstance to which you called the attention of the Committee was the failure of the corn houses, in September?—In August and September.

336. Do you attribute that in any way to a want of circulation?—Not at all.

337. How soon was there any apparent want of circulation, in your view of the case?—As far as I recollect, towards the end of September or October was the time when there was beginning to be a feeling of considerable tightness.

338. Do you recollect at what rate the Bank were discounting up to the end of September?—On the 3d of September we were charged six per cent., and on the 1st of October seven per cent.; but in speaking of there being too little circulation, I should wish to know whether the question applies to too little for the ordinary operations of commerce, or that the apparent tightness of circulation was beginning to be felt, from whatever cause, whether from hoarding or from other causes, because I do not wish to express an opinion that there was too little circulation for the commerce of the country, and I should not like to be drawn into anything that might imply that opinion, for it is not a point I am prepared to give an opinion upon.

339. You do not consider, then, that there is any reason to attribute to a want of circulation, or a want of accommodation on the part of the Bank of England (to put it in the largest sense), any thing that occurred previous to October?—As far as I remember, I think not.

340. Were not the failures in the course of August and September very extensive and very serious?—They were very extensive.

341. Were not they to an extent to create very great alarm and apprehension as to the continuance of other houses?—Quite so.

342. And to produce a general want of confidence in the trading community?—Yes.

343. I think you stated that in your own case you had found, for the half year previous to that, your deposits and credit balances withdrawn to a considerable extent?—We had.

344. That,

344. That, of course, would disable you from affording the same amount of accommodation to your customers as you had been in the habit of doing when you had a greater command of capital?—Yes, it would in some degree restrict our power of accommodation.

345. I apprehend, like all other bankers, you accommodate your customers with the balances which are left in your hands by others?—Yes.

346. Then the withdrawal of these deposits and cash balances would disable you from lending that of which you were not then in possession?—It would, but at such times as that we should not limit the accommodation we gave, exactly according to the amount of capital left with us; we should take a variety of other circumstances into consideration, and particularly the general state of the times; but no doubt it is a diminution of a banker's power when his deposits are withdrawn.

347. What would you do, under such circumstances, to make up for the loss of capital available for the purpose of assisting your customers which you had sustained?—It would depend entirely upon circumstances; and I mentioned in my former answer, that with regard to the credit balances, there were particular circumstances that affected them, that rendered the diminution larger than it would have been under ordinary circumstances. I have not the slightest desire to conceal any thing from the Committee, therefore I may mention the facts. In the credit balances there was one sum of upwards of 200,000 £, which might be called for at almost any time; it was the balance of an American bank lying in our hands, some part of which they did call for afterwards for investment in American securities here, and a great part they drew at three days' sight. That was an extraordinary amount, and would a little interfere with any inference to be drawn from the reduction; but our credit balances and deposits have been steadily reduced in the way that I mentioned before, to the extent, in the case of the deposits, of one-third, without there being any thing peculiar, or that was out of the course of regular trade. While so large a sum as that to which I have referred might be called for any day, and while it was in the course of diminution, by part being taken out, we should so keep it at our own disposal, that the withdrawal of the greater part, or the whole of it, would really have made no difference in our proceedings from day to day. I have been obliged to enter into particulars, in order to show why the withdrawal of a sum like that made no difference in our power as bankers, namely, because we felt that we were compelled to keep it at call at any moment.

348. Mr. Spooner.] It remained unemployed?—Yes; we kept it so, that any day we might be prepared to pay it.

349. Mr. Chancellor of the Exchequer.] To repeat my last question, what would you do under such circumstances to make up for the loss of capital available for the purpose of assisting your customers which you had sustained?—If we were at the full stretch of our power before, we should diminish our operations; if we were not, the probability is, that it would show itself in our having a smaller amount of bills in our case.

350. In either case your reserve would apparently be diminished?—The reserve would be diminished undoubtedly.

351. Mr. Spooner.] Not the reserve of cash?—No.

352. You would have the same reserve of cash?—We should keep the reserve according to existing circumstances. I did not quite understand whether the question referred to the reserve of cash, because in truth one great source of our reserve, and a great source of safety, consists in the bills that are falling due from day to day. It has been our habit to keep at least nine-tenths of all our deposits, and all money we have of other persons, in our bill case, in bills that are falling due from day to day, and that forms a very large part of our reserve; so much so, that during the time of the run, the bills falling due were almost equal to the amount of the run upon us day by day. Bills form a steady and systematic part of our reserve; our reserve is not confined to the 200,000 £ of cash which I mentioned the other day, but consists also of bills falling due from day to day; if we had not the reserve of bills, those bills being available paper under three months' date, we should have found it necessary to keep a very much larger amount in cash; part of our reserve therefore is in our bills falling due.

353. Mr. Chancellor of the Exchequer.] Is not the security for meeting the demands provided by these bills considerably diminished in times when the bills themselves are not quite so good, as compared with other times?—The security is diminished, but not to such an extent as to render it at all an unsafe reserve to rest upon;

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we have never found it so practically; we have never found that such a large per centage of these bills was dishonoured as very materially to affect them as a reserve.

354. You did not find in the pressure in the autumn, that you held any great number of bills either drawn by or accepted by houses which failed?—We held a considerable number of such bills, but the total amount did not form so material a per centage as to prevent their being an effective source of reserve.

355. You stated that 100,000*l.* of reserve was held at call by bill-brokers?—We had at one time much more than that amount, which was held by bill-brokers; I mentioned that we had 100,000*l.* which was held by one bill-broker in London, which we could not get hold of when we wanted it; but we had at Liverpool at times in cash 175,000*l.*, besides what we had at call in London, and besides that amount; the power that we had not used, of obtaining discounts from the Bank of England; we had not taken what we were entitled to take from the Bank of England, and that was waiting for us as a reserve, in case we wanted it.

356. I think, however, you stated that the reserve which you had in the hands of bill-brokers failed you to three-fourths of the amount?—Yes, in the case of that one particular bill-broker; but we had more in London than that. I mentioned that our reserve in the hands of one bill-broker failed us to the extent of three-quarters.

357. You object to the legal tender clause, that in the Bank of England notes being considered a legal tender?—In a slight degree, with reference especially to the great difficulty into which it seemed to throw us; when Bank notes should cease to be a legal tender; it seems to be productive of great inconvenience at such time; and by no act of those holding the Bank notes.

358. If I understand your answer, the objection to Bank notes being a legal tender now, is the inconvenience which might arise if they ceased to be a legal tender?—That is one objection; but I think there would be an advantage in having more gold scattered throughout the country; I think that the expense of holding the whole bullion of the country should not be thrown entirely on the Bank of England; the various banks throughout the country would then have to incur their share of holding it, and there would be some advantage in having a larger amount of gold scattered throughout the country.

359. Do you apprehend practically, that a banker holds more Bank notes under the legal tender clause than he would do if that was not the law?—I think, decidedly so.

360. Did you ever hear of a banker or any other person insisting upon the legal tender clause, and paying in Bank notes, when gold was demanded?—Never.

361. Do not you apprehend that bankers hold Bank notes or gold very much according to what the probable demand will be, from the convenience of taking one or the other?—I think they do.

362. Would you say, practically, that they would not hold as many Bank notes, which are more convenient than gold to be carried from place to place, if that clause did not exist?—Possibly they might.

363. Do you think that there is any great effect produced in the country by that being the law?—I think there is some; it is impossible to estimate the extent of it.

364. You said that you thought it would be desirable that the Bank of England should hold a larger amount of bullion?—Yes, I did.

365. Supposing, that instead of 14,000,000*l.* having been upon securities, they had been issued upon gold deposited in the Bank of England, would the slightest difference whatever have been produced in regard to the variation of the circulation last year?—I think not in the least last year.

366. So far as the operation of last year goes, no effect in the world would have been produced by holding additional bullion to the extent of 14,000,000*l.*, except of course, the loss which would have been sustained by holding so much gold unemployed?—I am not aware that last year any effect would have been produced; but had we been brought into a state in which the circulation had been brought down to 14,000,000*l.* or 15,000,000*l.* an effect would have been produced. There would have been obligations in notes, which the Bank would not have been able to discharge. I am quite aware that that is a remote chance; but I do not think the fact of this not having occurred last year, affects the great principle which I was anxious to establish, the importance of there being then a larger amount of bullion

bullion in the Bank than they have been accustomed to have, and such an amount as might allow a larger proportion to go away in order to meet the adverse exchanges, without deranging the circulation. If there was no other mode by which it could be accomplished, I would rather see the plan suggested by Lord Ashburton, of every note being represented by bullion. If there was no intermediate course, I should prefer that to the present system.

367. Supposing that had been the law in the course of last year, I understand you to say that no difference whatsoever would have been produced?—I am not aware that it would have been produced under the circumstances which have taken place; I have never imputed the occurrences of last year at all to the want of an adequate stock of bullion; but supposing we had begun only with 7,000,000 *l.* of bullion last year, we should have been in a very different position; but the principle which I am anxious to establish is, that we should have a larger metallic basis for our circulation; and if there is no intermediate step, I would rather have the whole circulation represented by bullion. I do not say that it would have produced a practical effect last year, but supposing our stock of gold had been exhausted, as was very likely to be the case, I think it would have been found to produce a difference; therefore, in saying that I do not think it has produced a difference, I do not mean to say that it might not produce a difference under circumstances to which we might be brought.

368. Do you think that we shall probably be exposed to a more severe trial than we have lately had?—I think we may be exposed to the same trial, beginning with a smaller amount of bullion, and in that case we should not be in the position in which we are now, with a combination of adverse circumstances. Had the Bill been tried, with an amount of only 6,000,000 *l.*, or of 7,000,000 *l.*, or with two deficient harvests, the course of events, I think, would have been very different. I have not, in any of the answers I have given, as I conceive (at least I have not intended to do so), attributed to the Bill the occurrences of last year; but when I am asked whether if we had had more bullion in the Bank, I think we should have been in a better position at the period at which we had arrived, I reply, that seeing the Government suspended the Bill, I do not think it would have made any difference; but if the Government had not suspended the Bill, I think we should have been in circumstances in which it would have made the greatest difference. It is to guard against the adverse circumstances to which you have not been exposed, but to which you may be exposed, that I take the liberty of suggesting the principle I before mentioned.

369. I understand then, as far as last year goes, you do not attribute what took place to the effect of the Act of 1844; that so far as last year goes, the Bank holding 14,000,000 of bullion, would have made no practical difference in the operations of the Bank, or in the variation of circulation; but you conceive that there may be circumstances in which it would be desirable either to be without the Bill, or to have a larger amount of bullion?—I would rather not put it in that form, "either to be without the Bill, or to have a larger amount of bullion;" that is not the alternative; I have brought no charge against the Bill, but if I were asked whether I wished the Bill to be repealed, I should be prepared to give a reply.

370. I will then ask you the question; would you wish to have the Bill repealed?—Till we have a better guarantee for the proper administration of the currency than we have ever yet had, I should not be at all desirous to see the Bill repealed, because I think it would henceforth have a salutary operation upon the minds of the Directors; I think it points out the direction in which their proper course would lie; and were the facilities for suspending it a little easier—were the Government enabled to suspend it in conformity with an Act of Parliament instead of being shackled with the responsibility of violating an Act of Parliament;—I should not be desirous of seeing it repealed.

371. You think it is the best guarantee of which you are at present aware, but that it might be amended?—Yes.

372. Do you think that an easier power of dispensing with the guarantee is the best mode of making it more effectual as a guarantee?—No; the guarantee which I would wish would be totally irrespective of the Bill. I do not think that the Bill gives a guarantee; the Bill has not preserved the Bank from getting into a scrape, and it would have prevented their getting out of it; under the extraordinary circumstances in which the Bank was placed, they were obliged to deviate from the ordinary course; it did not preserve them from getting into their difficulty;

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difficulty, and it did not help them out of it. It was only by the Bill being suspended that they were able to escape from their dilemma. The guarantee I would propose would be an alteration in the constitution of the Board of Directors, as I stated the other day; that the Board should be of a permanent character, and that some at least of the members should give their whole time to the concerns of the Bank, and especially to that part of it which relates to the management of our circulation. The division of the Bank into two departments, the issue and banking departments, does not give the issue department a control over the circulation; it is merely, as it were, a rule by which the banking department is to be controlled. There is no administrative power in the issuing department; all the management still remains in the banking department of the Bank of England. I should be glad to see some system introduced by which those who have to administer the affairs of the Bank of England should be able to give their whole time and attention to it, and be clothed with the responsibility of looking ahead, as far as human sagacity can enable them, to watch the signs of the times and the indications of the course of the exchanges; such a guarantee I should prefer to the guarantee derived from this Bill, because I think that is a very small guarantee, though I would not wish the Act to be repealed, for I think it affords the best guarantee we have had yet; but the guarantee we want is a guarantee of a more effectual kind.

373. The guarantee most effectual, in your opinion, would be an improved management of the Bank of England?—Yes, and almost every difficulty that we have to consider, upon this subject, drives us at least back to a better administration of the affairs of the Bank, because that administration cannot be mechanical; there must be discretion somewhere, and the point to aim at is, to secure as much discretion as we can in those to whom we confide so important an office as the administration of the currency.

374. Might I ask whether it is your opinion, that if the management of the Bank had been in accordance with the views which you have expressed, during the last 18 months, it would have avoided many of the evils which have occurred?—Many of those evils have arisen from natural causes, quite irrespective of the management of the Bank; some of the evils, I think, might have been avoided, but I think the greater part have arisen from causes beyond their control; I think principally from the failure of the potato and corn crops, and secondarily from the conversion of floating into fixed capital, by investment in railways.

375. Of course my question assumed that those natural causes would operate, but so far as the management of the Bank of England has affected matters, do you think a more discreet management on their part would have obviated some of the evils which have been attributed to their actual management?—There have been one or two instances in which I think the management would have been different had there been such an alteration in the constitution of the Board as I have suggested.

376. Does that apply both to the spring and autumn of last year?—It applies, I think, much more (as far as my impression at present goes) to April than to October.

377. What alteration in the course which they adopted in the autumn would you have suggested?—In the autumn I am not aware that I could have suggested any alteration. I believe that they gave all the assistance that they could in the difficult times. I think in April the country was pulled up rather suddenly, in consequence of what I regard as a little want of earlier premonition. In the autumn of 1847, as far as I recollect the circumstances at present, I am not aware of any change that I would have suggested. In the autumn of last year I think, as far as we have seen and heard, they did give every assistance to the country that was at all compatible with safe principles of banking. I have always said that, individually, I would have taken no other course than that which they took, and would not have given more accommodation. From what we know of the amount of bullion reduced to less than 8,000,000 *l.*, it would, I think, under the then circumstances of the country, and with their obligations as they then existed, have been a wise course for the Bank to have taken counsel with the Government, even had there been no Bill of 1844, and to have considered with them whether, even with adverse exchanges, they had not better take the chance of a desperate remedy, for there was danger if they did not adopt such a remedy of the course of things hurrying them into a worse position.

378. Mr. Herries.] Did you say that the exchanges were adverse?—Yes; I think the exchanges were just turning on the 23d of October, but I would have taken counsel with the Government whether even with adverse exchanges occurring in such a state

a state of prostration and general alarm as then existed, I might not with perfect safety adopt as a remedy the plan which was ultimately adopted; which had been found in 1825 to be successful, and which I think in 1810 was also successful: in 1825 and 1810 the prices fell after there had been enlarged issues. When credit is completely borne down, it is not a question as regards the rectifying of the exchanges, whether there is a little more or less of issue; the depressed state of credit was affecting prices, and I think credit had received so severe a shock, that as an individual I should not have been afraid of adverse exchanges in adopting a plan of relief at an earlier period, because I should have felt satisfied that those exchanges would have been rectified by the blow which had been already struck. The first gold we received from America we received early in November, before the effects of the latter part of our pressure could have been felt there. I think a great part of the danger has often been incurred by thinking it necessary to continue the action on prices after the blow has been struck, which is sure to affect prices; and when credit has been completely prostrated, prices are not immediately restored by the issue of more bank notes.

379. *Mr. Chancellor of the Exchequer.*] What do you mean by the blow being struck?—I mean to say, that there had been such a general prostration of credit, arising partly from the difficulty of obtaining discounts, and partly from the general state of alarm into which the country had been thrown by extended failures, that commercial men were then completely disheartened and in a state of apprehensiveness, which prevented them from buying; and the suspension of purchasers affects prices. It was not only the amount of notes that was actually outside the walls of the Bank, but the different circumstances which had created alarm and general apprehension, and had made people think that things had not come to the worst. I think the prices are often at such moments affected by the state of credit, more than by a moderate difference in the amount of issues by the Bank; and with that impression I am of opinion that the suspension of the Bill might safely have taken place two or three weeks before the 23d of October.

380. That prostration and want of credit you entirely attribute to natural causes, independent of the conduct of the Bank, or the amount of circulation?—In autumn entirely so; it was quite irrespective of the Bank.

381. *Mr. Herries.*] And unmixed with any apprehension of the Bank not being able to give assistance under the Act of 1844?—No; I think there was a certain amount of apprehension of that kind, but that is quite different from the actual operation of the law; I think that that apprehension had some effect.

382. Was that apprehension a very serious ingredient in the causes which led to the calamitous state of commerce which we are contemplating?—I do not think that the apprehension of the effect of the Bill of 1844 was to such an extent as to form a very considerable element in the various causes producing the effect; it had some effect, no doubt, but I think that the effect of that apprehension was small.

383. Upon what is that opinion founded?—Upon general intercourse with the various parties with whom I was brought into communication. Upon some minds, I am aware that it pressed very strongly; upon others, there was the conviction that though this Bill did press very much upon commerce, there would be a suspension of its provisions; they had no doubt of Government interfering, and that allayed the apprehension to which you refer.

384. That apprehension was allayed by the belief that the Act would not continue in force if the pressure was very great?—I think it was.

385. Then the apprehension, supposing the belief of relief being likely to be given had not existed, would have been very serious indeed?—It would have been greater than it was; to what extent, I cannot say.

386. *Sir Robert Peel.*] Do you object to the provisions of the Bill of 1844, which restrict the issue of joint-stock banks and private banks?—No; I think that restriction a very salutary one.

387. Do you think that the existence of that restriction, during the last three years, has contributed to mitigate the evil which might have arisen, if there had been no such restriction in force?—I should think very greatly, because on former occasions the Bank seemed neither to have the power of knowing the precise extent of the issues from other sources, nor to have the power of controlling them, if it did know them; and I think that the knowledge of that amount, and their having a definite sum which they could introduce into their calculations, has been the result of that restriction, and is a very important result.

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388. You think that that restriction has increased the control of the Bank of England over the general circulation of the country, and you have no wish whatever that that restriction should be altered or modified by Parliament?—I should be very sorry to see it either altered or modified.

389. You have seen, probably, various plans for a system of currency for the issue of Government notes, and for notes to be paid on account of taxation, and for notes to be issued on landed securities; have you seen any principle recommended which you would prefer to the principle of immediate convertibility on demand?—None at all approaching, in my opinion, either in safety or desirableness in every way, to the principle of convertibility on demand.

390. Therefore, that principle enforced by the Bill of 1819, and recognized by the Bill of 1844, that all promissory notes issued by bankers should be immediately payable on demand, is a principle which you entirely approve?—It is.

391. You have no wish that any change in the law should be made in that respect?—Not at all.

392. Have you any suggestion to offer with respect to the currency, and the relation of gold to silver at present existing?—Not at all; under all the circumstances, I think I should rather prefer the relation of gold and silver remaining as it does.

393. And the chief alteration in that respect that you would wish, would be, that the Bank should retain, or that the Government should possess, a larger amount of bullion, in order to prevent those apprehensions from which such evil consequences have arisen; the principle of the currency, and the convertibility of the notes, remaining entirely unaltered?—Exactly.

394. You do not question the value and soundness of the general principles on which the Acts of 1819 and 1844 are founded?—Not at all.

395. Do not you consider that those principles have been admitted, so far as theory was concerned, by the most eminent directors of the Bank of England from time to time?—I do.

396. It appears upon the evidence which has been taken at various periods, that the soundness and value of that principle, so far as theory is concerned, has been constantly admitted?—Entirely so, for a very considerable time past. There was a time when at least one former Governor, whose name no doubt occurs to us, did not admit it; but I think for a very long period of time it has been admitted in theory.

397. Do not you consider that before the Act of 1844 there were frequent periods in which, when occasions for enforcing those principles arose, they were practically violated?—I think there were; I am stating a general impression which I am under, but I should wish at the same time to say, that I am not here prepared with any proof as to the times at which that occurred.

398. Even since the passing of the Act of 1844, do not you think that those principles so admitted to be theoretically sound have been disregarded by the Bank, except when it was too late to enforce them, or at least that there were occasions when they were disregarded?—I would say that there was one occasion; there may have been more, but I would rather confine myself to one occasion.

399. Do you not consider, that if the Bank since 1844 had taken early precautions, many of the evils which have arisen might have been prevented, and in that respect all the effects which have resulted might have been greatly mitigated?—Some of the evils I think might have been prevented, and I think all the effects might have been greatly mitigated.

400. The principles having been disregarded at the time when early precautions were advisable, a state of great anxiety and apprehension, in your opinion, arose?—Exactly.

401. Did the fear that the Act could not be carried into operation, and that the attempt to carry it into operation would be attended with very mischievous consequences, aggravate all the other evils arising from other causes under which commerce was suffering?—Yes, to some extent; but I should say to a moderate extent.

402. Do you think, that if the Bank which thus disregarded the principles on which the Act of 1819 and the Act of 1844 were founded, and neglected to take those early precautions which they might have taken and ought to have taken, had been aware that they had possessed a power when a time of pressure should arrive of relaxing the Act by their own authority, the knowledge of their possession of that power would have tended to produce greater caution on their part?—I do not think it would.

403. Do

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403. Do you think it probable, that if they had known that they already possessed the power when a time of pressure should arrive of relaxing the law, they would have been even less disposed than they were before, to attend to the principles of those Acts and to take early precautions?—I think that would have made no difference, probably, as far as one can judge of the motives of other persons.

404. You think that they would have gone on under either system in the same way?—Yes, I think so.

405. Is that the main ground upon which you advise an alteration in the constitution of the Bank of England, to the extent to which you have advised such an alteration?—The main ground is, the various occasions on which it appears to me that they have not acted in conformity with the principles of the Act of 1844; I do not simply refer to the deviations of last year, but to deviations generally.

406. Mr. Disraeli.] You said that the apprehension of the restriction on the Bank was an element of the pressure to a certain extent?—I think it had an effect upon some minds.

407. And the pressure had been aggravated by that restriction in the preceding spring, had it not?—I am not at all aware that it had.

408. Mr. Chancellor of the Exchequer.] You stated that you did not conceive that the Bill of 1844 had secured the convertibility of the bank note?—I am of that opinion.

409. Does it not tend to enlarge the metallic basis upon the value of which you insist a good deal?—I think it does.

410. The restriction upon the issues of other banks also tends to restrict the issues of the currency, does it not?—I do not quite see that it does, supposing the Bank of England to issue so much more than it would do otherwise when the other banks issue so much less; but I am not aware what proportion of the whole paper is affected in that way.

411. Is not that additional issue of the Bank of England necessarily made upon bullion according to the Act of 1844?—I believe it is; and then, I think it is as you state.

412. The effect, therefore, is to substitute notes issued upon bullion, for notes which were not necessarily issued upon bullion?—I think so.

413. And the result, necessarily, must be to increase the metallic basis?—Yes, I think so.

414. Do you remember the amount of bullion that was in the Bank of England in October 1847?—On October 23d, it was 6,745,354*l.* of gold.

415. What was the amount of silver?—£. 1,120,061.

416. That would amount in round numbers to about eight millions?—Yes.

417. Do you remember the amount of bullion in the Bank in October 1839?—I think it was between 2,000,000*l.* and 3,000,000*l.*

418. Do you conceive that if the Bank had acted in 1847 as it did in 1839, without the restriction of the Bill of 1844, there would in all probability have been as much as 8,000,000*l.* of bullion in the Bank in October 1847?—I do not feel quite prepared to answer that question. The reduction of bullion in 1839, as far as I remember, had been preceded by a great reduction both of deposits and of circulation, much greater than has taken place now, and I cannot tell in what way that reduction of the deposits and circulation might have led the Bank to feel itself justified in allowing the amount of bullion to be reduced to the amount it was in 1839. The cases are not entirely parallel; I can hardly infer from the fact of the Bank in 1839 allowing the amount of bullion to be reduced under circumstances very different from those of 1847, what would have been its policy in 1847, supposing the Bill of 1844 had not existed.

419. Were not the cases of 1839 and 1847 very similar, as regards the heavy drain of gold for the purchase of corn?—Yes; but there was this very essential difference in the position of the Bank, that in the one case in 1839 the deposits had been very considerably reduced, before the bullion got down to between two and three millions, and the circulation had also been reduced; I consider the position of the Bank now to be very different from what it was then; and, in comparing those two periods, I see a difference which would not justify me in drawing an inference from the conduct of the Bank in one period, as to what would have been their conduct in the other.

420. Do you not conceive that the Bank of England was in a much safer position as regards the convertibility of its notes with 8,000,000*l.* in its coffers

A. Hodgson, Esq. in 1847, than with two millions and a half in 1839?—I think it was in a safer position with the 8,000,000 *l.*, but I do not think that its safer position was at all in the proportion that the amount of bullion in 1847 bears to the amount of bullion in 1839, and upon that point I should be anxious to be explicit.

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421. Did you ever know a doubt expressed of the convertibility of bank notes in the autumn of 1847?—Never.

422. Do you think that practically there was any great probability of the 8,000,000 *l.* being drained out of the Bank?—I think there was a great probability of it.

423. How would that have been effected?—I think if the suspension of the Act of 1844 had not taken place, it is very probable that some of the deposits (and we do not know to what extent they are) of the London bankers would have been drawn out; that would have occasioned great alarm, and if the Act had not been suspended, the probability is that we should have had the same thing done by country banks, and large commercial houses; that would have been another source of alarm. As soon as it was found that bankers and other houses were drawing out their deposits, and that the Bank of England was not in a position to afford any assistance whatever, great alarm would have been created throughout the country. We do not know what the amount of reserves of country banks is, but I should think probable at that time, judging from the circumstances which I mentioned the other day, their reserve would not be less than 7,000,000 *l.* or 8,000,000 *l.*, and I think if it had been seen that the Bank was compelled to refuse accommodation, as we know it would have been compelled to do from the statements we have seen, supposing the Act had not been suspended, an amount of alarm would have arisen partly in London and partly in the country, which would in all probability have led to a state of things which would have withdrawn all the gold from the Bank of England. With regard to London, I found my opinion on the information I then obtained, and I was in very close intercourse with some of the most eminent mercantile men engaged in all descriptions of business, and on what I know of their honest convictions; and as far as one can know the honest convictions of others, I feel sure that such was their conviction; I cannot mention the names, but they are names which have been long before the country, as of gentlemen well known, both commercially and otherwise. With regard to the country, I know something of the feelings of the parties there, and as I mentioned in my former evidence, supposing we had seen a state of things of this kind arising, our Bank might have gone with a couple of hundred thousand pounds worth of notes, or at least we might have gone to the branch bank of Liverpool with such part of the notes as were issued by that branch, and have come to London with the other notes, and have taken payment in gold; other Liverpool banks and commercial houses might have done the same; this would have speed rapidly by means of the electric telegraph, and I think in a short time there would have been a run for gold, not only in Liverpool, but in various parts of the country; and my own firm belief is, that if the Act had not been suspended, the whole of the bullion would have been drawn out of the Bank. That is a matter of opinion, and must remain so; but if it had taken place, the convertibility of the note would not have been secured; it was secured up to that time; but supposing the drain had taken place, which it is my opinion would have taken place, the convertibility would not have been secured.

424. The operation which you describe would have been paying into the Bank eight millions of notes?—It would.

425. Do you think, practically, the country would have borne that reduction of the note circulation?—Yes, you would have got gold out instead; and under the circumstances supposed you would have had a complete prostration of every thing; all commerce would have been at a stand, and there would have been comparatively nothing to require circulation for two or three days. With reference to the note circulation having been diminished, I cannot see what inconvenience would arise from that; it would be simply a transfer of gold out of the Bank for notes; and the currency, therefore, would be just the same as it was before; besides, I should observe, that an action of that sort would not have gone very far before there would have been a great alarm with regard to the deposits. It is impossible that such a state of things, as I believe would have taken place if the Government had not interfered, could exist without a very large action upon the deposits.

426. *Mr. Spooner.*] The public need not have taken any quantity of notes?—They need not.

427. *Sir William Clay.*] You stated that you did not think that the Act of 1844 tended

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tended to secure the convertibility of notes, for the reasons which you stated in your former examination, and which you have now, to a certain extent, re-stated?—I believe I have never stated that I did not think it tended to secure the convertibility of the note; what I stated was, that I did not think it actually secured the convertibility of the note; there is a very wide distinction to be made in that respect.

428. You mainly ground that upon the opinion that, supposing the Bank in its banking department had come to an end of its reserve, and had been compelled, in ordinary phrase, to stop payment, that would have created a panic, and then there would have been a run for gold upon the issue department?—Yes, that is my opinion.

429. That run for gold, you have stated your opinion to be, would have arisen mainly from country banks?—I did not mean so say "mainly;" I think there would have been a large run from them, but I think it is difficult at all to anticipate where it would have first happened; it might arise from the depositors; it might arise from the country banks; it would be a state of things in which it is impossible to say where the accidental alarm would commence.

430. You state to the Committee that there were 350 country and joint stock banks, and assuming that each had a reserve of 20,000 £ bank notes, there would have been 7,000,000 £, the simultaneous payment of which in gold to those country banks would have then produced a suspension of cash payments on the part of the Bank?—Yes.

431. What object would the country banks have had in returning these notes for gold, seeing that they could equally satisfy their liabilities with notes, those notes being a legal tender for their payments?—Because, supposing the Bank were to be exhausted of gold, the notes would no longer be a legal tender; and therefore, seeing that those who came last might not find gold, there would very probably be a rush to see who would be first, and every banker would take care to have his reserve of bank notes paid in gold if he saw that a state of things was likely to arise in which the bank notes would not discharge his obligations, and the bankers would, as prudent men, be acting rightly, I think, in providing for their obligations in that way.

432. Do you think that it would be a prudent measure for the country banks to create an alarm through the country by asking for gold in exchange for their notes; would not that have increased their own danger?—That might operate upon some minds under such circumstances, but others would say, if I can place myself in a position of safety by a certain course of action, I am bound to do it, and I must do it while I can. Though there is generally a kind consideration with regard to the public, operating upon the minds of directors of banks, yet we must remember that they have their duties to their proprietors and themselves to discharge, and in a great many cases those would be first discharged. I may mention, that when we had a run upon us, in consequence of the failure of the Royal Bank, it was proposed by one of our directors that we should immediately get gold, in order the better to satisfy those who might come; we immediately rejected that idea, and said it would be inconvenient to the Bank of England, and we did not think that there would be any material advantage in it; but cases might arise in which it might seem to be so essential to the safety of the Bank to adopt a particular course, that it must disregard all other considerations.

433. You think that the possible chance that a time might arrive when the Bank of England could not pay its notes in gold, and therefore that persons holding bank notes could not discharge their obligations with them, would be a risk more obligatory upon the directors of country banks than the certainty of the embarrassment which paying the notes into the Bank of England would occasion; you think the one possible and contingent risk would be greater than the apprehension of danger which such a step on their part would superinduce, and the increase of panic and embarrassment?—Many would reason in this way: "Do what I can, I cannot prevent others taking that precipitate course, and making a run upon the Bank, which may cause its ultimate stoppage; my converting my own notes into gold will have very little effect; therefore I will do so;" but we are reasoning upon the motives of men which it is very difficult to speak to.

434. You have stated to the Committee that the deposits in your bank—not the credit deposits, but the general deposits—underwent the process of a steady reduction; when did that process commence?—I think it probably commenced a year ago; I have only got a statement of the reduction between April the 22d and

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the 31st of December, but I think it had been going on for many months before in a slight degree, but not in any way to attract our particular notice.

435. That has been to the extent of one-third?—Yes.

436. And to what extent have your credit balance deposits been reduced?—They have been reduced between April the 23d and the 31st of December more than one-half, but that would not be a fair estimate of what might be considered the natural reduction, because there were peculiar circumstances, one of which I mentioned just now with reference to an American bank, but I think the steady reduction of the credit balance would be from a fourth to a fifth from their average amount; it was, in point of fact, one-half at that time.

437. Do you conceive that, apart from the panic, from whatever cause superinduced, there was a want of monied capital in the country in general, as indicated by diminution in deposits?—I think unquestionably so.

438. You infer that, in part, from the withdrawal of deposits from your own bank, and partly from what came under your own knowledge, similar withdrawals from other banks?—My knowledge of the deposits of other banks is exceedingly limited, but I mentioned one case the former day, and I have had a confirmation of it by a letter this morning from an influential director of that bank, to whom I wrote to inquire if he knew any other case; he states their own deposits to have been reduced one-fourth, as I mentioned the other day, and he states that one-half was railway money; he also says, "Another bank says there has been a "fearful drying up;" and a third says, "The diminution is but small."

439. That is recent information which you have received from three country banks?—Yes.

440. Mr. Spenser.] In two cases they were large, and in one small?—In two cases the diminution was large, and in the third small.

441. Sir William Clay.] Have you had any general information which leads you to the belief that there has been a steady reduction of deposits throughout the country?—I have no doubt of it; another case has just occurred to my mind of a very large and old private bank, in a large commercial community; I know that they stated the other day that their deposits had been reduced one-fourth, and that is a bank as likely to retain its deposits as any bank that I know.

442. Mr. Cuyler.] Are they temporary deposits, or deposits upon interest?—I cannot give any information upon that point with regard to other banks; our own are regular deposits at interest, which have been with us for years.

443. Sir William Clay.] When this tendency had become clearly perceptible to the parties engaged in the conduct of your bank, did it become matter of discussion whether any steps should be taken to provide resources in lieu of the diminished deposits, for instance, such as a call up of more capital?—Not at all; it never has been discussed by us.

444. Did it occur to the directors of your bank, that from this apparent diminution of monied capital the Bank of England might possibly be under the necessity of limiting at all events the accommodation afforded upon that which you have called your general accounts with them?—No, it never occurred to us at all.

445. Might it not have occurred to them that the Bank had no longer the power, since the Act of 1844, of creating bank notes at will, and that therefore the power of the Bank of England itself was limited, and would it not have been a wise precaution to have taken some other means of getting available resources when the amount of your deposits was falling off?—It would be a matter of consideration if we found practically that our deposits fell off to such an extent as to inconvenience us at all; but the falling off of a third of the deposits would not do so; and I do not think it was a matter of consideration; our resources are very large; we have never pushed our business to the full extent; we have endeavoured to carry it on conveniently to ourselves, and such an amount as one-third of the deposits disappearing would not naturally have suggested such a course to the Directors.

446. You had a positive agreement with the Bank for accommodation to the extent of 200,000*l*?—We had.

447. But the extent to which you received assistance from the Bank beyond that sum, I presume, was a perfectly voluntary act on the part of the Bank of England at all times, at their own discretion to perform or not?—Entirely so; when it was fixed at 136,000*l*, on the 1st of May, the Governor guarded himself from

from its being considered as permanent, by saying that we must not consider that they were binding themselves for all time, or something of that kind.

448. That was after the intimation you had had in April?—Yes; we never considered them bound for any thing beyond the contract account, but we hoped that they would give us notice before they diminished the amount of their accommodation.

449. What was the amount in January that you had?—I have not got it for January.

450. But up to April, the amount of accommodation on the general account was perfectly discretionary with the Bank of England?—Perfectly so.

451. And you still are of opinion that notwithstanding the appearance you had yourself perceived, and your uncertain reliance for assistance upon the general account, it was not necessary, by calling up capital or reducing the bank engagements, to be prepared for the withdrawal of that assistance?—You have now added another element to the question—that is, reducing our bank engagements—the slight degree of reduction of our banking engagements that such a falling off would occasion, would be much more likely to be acquiesced in by the Directors than taking the decided step of calling up further capital.

452. You have stated that the Act of 1844 did not prevent the bank getting into difficulty?—I have.

453. Is it not important to distinguish between a difficulty having reference to the general currency of the country, and a difficulty which is a banking difficulty?—Unquestionably; there is a great difference between the two cases.

454. Do you not think that the Act of 1844 tended to prevent the difficulty, having reference to the currency and to the general monetary condition of the country; for instance, you have said that the Bill of 1844 in your opinion had a premonitory effect?—Yes.

455. Do not you think that it had a tendency to check over-trading, and to check immoderate banking, and so to prevent the revulsion consequent upon such over-trading; are the Committee to understand that that is the result of your opinion?—In a certain degree I think it produced that effect.

456. Will you have the goodness to state in what degree?—It is impossible to state in what degree; it certainly had that tendency, but I am not at all prepared to say that I think it produced that effect in a great degree.

457. Do you think it will have that effect more hereafter, after the warning which the country has had?—I do.

458. You state that it has a premonitory effect; do not you think that the element of restriction of power is an important element in that effect?—I think so.

459. All parties having to do with the currency become aware that the Bank have no power, beyond a certain amount, of creating Bank notes at will?—I think so.

460. Are you of opinion that it would be wise to alter the Act of 1844, or is it your opinion that by altering the Act the effect of the restriction of the power of the Bank would be weakened, from the feeling that if a pressure arose it would be relieved by the restriction being removed?—I think there may be much greater facility for the suspension of the provisions of the Act without interfering in any such degree as to counterbalance the advantage of such facility with the premonitory effect to which you now refer. I think the Government would always be so difficult to be persuaded of the necessity of interposition, that there would always be the anticipation of such an amount of restriction as would sustain in sufficient force the premonitory influence of the Bills.

461. You have stated that the rise of interest had no effect in checking the demand of money in October?—I am not sure that I stated that; I did state that I was of opinion that persons did not at all consider what rate of interest they had to pay; they were so rejoiced to get the suspension of the restriction, that they did not care what rate of interest they paid; but I do not think that I stated that the rate of interest had no effect with regard to the actual demand for money.

462. In your own mind, you distinguish between the two panics which were superinduced upon the money pressure?—Certainly.

463. Are you clear whether or not the money pressure kept increasing during 1847, apart from these two incidental panics?—Quite clear.

464. Are the Committee right in assuming that you would attribute that pressure to the real diminution of the money capital of the country?—Yes.

465. Apart from any operation of the Bank Act of 1844?—Yes.

466. You would assume, then, that the diminution of that money capital of the country arose partly from the necessity of paying in gold for imports from all parts of the world, and partly from the absorption of floating into fixed capital for the construction of railways?—Quite so.

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467. Is it within your own knowledge that persons in business, to use your own expression, starved their business for the purpose of paying up the calls on railway shares?—I think that I should describe it as almost universal, whenever an opportunity of seeing persons' affairs came before me.

468. The Committee would be very glad to have, as the result of your opinion, that which you have expressed incidentally upon the point, whether there has or has not been a considerable amount of over-trading, comprehending in that term the diversion of capital from the ordinary pursuits of trade, for the purpose of paying up the instalments on such undertakings as railways?—I think that the disclosures that have taken place on the failure of houses show, that there has been a large amount of commercial over-trading on the part of some individuals, in embarking in enterprises and incurring obligations to an extent which bore no proportion to the amount of their capital; I think also there has been a very general, almost universal over-trading in railway affairs, and that the abstraction of mercantile capital from mercantile houses for railway enterprises has been very general; I think, also, there has been to a certain degree a too great extension of credit; but with regard to general commercial over-trading, looking to the amount of our imports, and as far as I am able to judge, looking to our exports in connexion with the state of foreign markets, I am not of opinion, that there has been that great amount of commercial over-trading which has been assumed by many persons in the discussion of this subject.

469. The nation has over-traded as a community, perhaps; but individuals have been justified in supplying the demand which they found to have been created for commodities?—I am not at all sure that I understand that question; I am not aware that our imports and exports would have given us any proof of over-trading; if there had been no deficient harvest in this and other countries to derange the ordinary course of affairs, and their use of each other's commodities.

470. Do the Committee rightly gather your opinion to be, that upon the whole you would not desire the Act of 1844 to be repealed?—Provided there was greater facility of suspension, I should have no desire to see that Act repealed till we get a better guarantee for the steady administration of the circulation than at present.

471. Mr. Alderman Thompson.] What facility of suspension would you suggest?—The amount of facility of suspension which I would take the liberty to suggest would be, that Parliament should give Government power to interfere when they thought necessary, instead of Government being obliged to violate an Act of Parliament when it was considered necessary to suspend the operation of the Act.

472. Is it your opinion that if that letter which was written by the Chancellor of the Exchequer to the Bank, had been written at an earlier period, it would have prevented some of that pressure and disaster which was experienced in the month of October?—That is quite my opinion.

473. Mr. Thorneycroft.] Had not commercial affairs rather improved before the issuing of that letter; do not you think they were upon the turn in favour of commercial prosperity?—As far as my own experience went, I should hardly say they were.

474. Mr. Hudson.] You stated that you attributed the distress, in a slight degree, to railways?—Yes; I attribute a degree of pressure to railways, and perhaps not in a very slight degree, less than to the deficient harvest, but still in a large degree.

475. To the deficient harvest you attribute it, and to the railways?—Yes, I do.

476. Are you aware that there was no deficiency of manufactured goods, and that money could produce any quantity of manufactured goods that might be required for the wants of the country?—No, I am not aware of that.

477. Do you think that there has been any want of produce of any kind, for the requirements of the country, which railways have prevented the country from obtaining?—Our stocks of many articles of produce are very low.

478. Inconveniently low?—In some cases inconveniently low; in cotton, almost dangerously low.

479. Has that arisen from railways?—I do not know that it has.

480. The amount of stock has been sufficient to have depressed prices very materially within the last five months?—The operation upon the money-market to depress prices has been in an alarming degree; they are now reviving; the case with regard to cotton was this—the total amount we had on hand, in 1847, and all that

that was received in that year, were less than the consumption of 1846, which was a very alarming state of things. *A. Hodgson, Esq.*

481. That has not arisen from railway investments?—No; I cannot attribute that to railways. 11 February 1848.

482. Large sums were invested upon the security of cotton, which kept up the price?—The price went down very fearfully.

483. Will you explain to the Committee what you mean by trade, being starved, if you admit that produce of all kinds was abundant, and that there was no deficiency of manufactured goods?—The answer I gave to that question was with reference to our own customers, showing that they had abstracted part of their own mercantile capital to be invested in railways; they were not so well off with reference to their capitals, because they had invested part in railways.

484. Supposing they had invested that in the funds, what would have been the effect?—It would have been the same with regard to the point to which I referred.

485. You stated that your credit balances and your deposits were constantly diminishing from January to December?—From April to December.

486. Are you not aware that when the public funds are considerably reduced in price, a large number of those depositors frequently avail themselves of the opportunity of making investments in the funds?—No doubt they do.

487. And that practice I believe is carried on to a very large extent in times when the funds are depressed, as they have been lately?—I think it is.

488. That would account for some part of the diminution of the deposits?—It would account for some part; but as far as we were able to trace them, they did not seem to be so invested. I think the inducement presented by railway debentures, when they were good railways, was far more attractive than any inducement held out by the banks.

489. But as a banker, you are aware that it is invariably the case that a banker looks very much to his deposits immediately he sees the public securities going down materially, and that he anticipates that a large or a small sum will be withdrawn for investment in the public funds?—In the community in which we are placed, there is very little of that.

490. That would account for some part of the diminution in the deposits?—It might account for some part.

491. In the early part of last year, you had a large sum of money belonging to railways which was gradually withdrawn?—Yes.

492. That would account for a considerable part of the balances being reduced?—It would account for part, but I have the particulars here; one-third of the railway money in our hands was withdrawn.

493. That included the sum which you held for various railways?—Yes, and it is one-third less in December 1847 than it was in April.

494. Would you not also account for your deposits and your credit balances being lowered in some measure by the failure of three banks in Liverpool, and the general failure of credit which you state to have occurred?—I think the deposits would be reduced from that cause; we lost in two days a considerable amount of deposits; some part came back; but that would no doubt partly account for the reduction.

495. I believe the railway calls have still gone on?—I believe they have.

496. Do you know the price of money in Lombard-street to-day?—No.

497. The railway calls have gone on with pretty nearly the same briskness?—Yes; they have gone on largely.

498. Have they been paid up well?—I believe they have been paid remarkably well.

499. Though your deposits have been diminished from the causes which you have stated, if you will refer to the returns of the Bank of England, you will find that their deposits had not diminished; on the 17th of October 1846 their deposits were 14,400,000*l.*, and on the 10th of October 1847 they were 14,171,000*l.*; if that be so, does that affect your theory, that the railway companies have absorbed the capital of the country, and that it has become what you call fixed capital?—I think this fact is not inconsistent with that supposition.

500. If your deposits have decreased, why have not the deposits of the Bank of England decreased from the same cause?—I cannot tell; it does not shake my confidence in the opinion I have expressed, but I cannot tell how it is.

501. You gave the case of a bank in Leicestershire, in which you said the

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A. Hodgson, Esq. deposits had materially decreased; can you give any other cause in explanation of that, except that they have, as you say, gone in railway calls?—They decreased one-fourth, one-half of which was railway money.

502. You have a large amount of accommodation from the Bank of England of 200,000*l.*, and a discount of 125,000*l.*?—Yes.

503. When did that commence, and how long is it to continue?—The 200,000*l.* arose out of a contract originally made on condition of our not issuing our own notes, 12 or 15 or more years ago; the other has been a general discount account, which we have always had more or less, and which we have no reason to suppose is going to be abstracted from us.

504. You state that the exchanges only turned in October?—I confine myself to the American exchange.

505. All the others were favourable with the whole continent of Europe?—Yes; I think Lord John Russell stated it in his speech in the House, that the exchanges were just turned when they issued that letter.

506. The only reason that you assign for your opinion that railways have had to do with this commercial distress, is, that they have withdrawn capital from trade, though you admit that manufactured goods have been abundant, and that all produce has been sufficient except cotton?—Produce generally is light.

507. Does that apply to sugar?—I cannot mention the particular articles that it applies to, but our stocks are considered light generally, instead of heavy; I know that it is the case with cotton.

508. You admit that railway calls have been going on, and that money is abundant in Lombard-street?—I do not know what it is in Lombard-street.

509. But do you know that money is abundant?—I believe it is.

510. And at a low rate of interest?—It is at a moderate rate of interest.

511. Do you know the rate at present that bill-brokers demand?—About three-and-a-half per cent.

512. Do you know that bill-brokers have refused money on deposit at three per cent.?—I think it is very likely.

513. You have referred to the instructions which were issued by the Bank to the managers of the branch banks?—We received notice of it in a personal communication.

514. Do not you think it a most extraordinary proceeding of the Bank, and which would be unjustified except by extraordinary circumstances, to issue that notice so suddenly upon you?—We thought it very sudden and very inconvenient.

515. And that the Bank would not have been justified in adopting that course, unless they had been placed in extraordinary circumstances?—The latter part we did not put into that form of words; we thought it very inconvenient and very sudden, and productive of a great deal of mischief.

516. You would think you were not treating your customers well, if you were to issue on a particular morning a notice that the accommodation which they were in the habit of having, would be restricted immediately to one-half; you would think it a case of extreme hardship?—I should think it a case of extreme hardship, unless we were under the absolute necessity of doing it.

517. Can you give a reason for the Bank being placed in that situation, of being obliged to issue this circular, restricting the accommodation which they had been in the habit of giving?—I cannot state what the reason was, but I should fancy that they thought it necessary to diminish their circulation, on account of the peculiar circumstances of the times.

518. Had there been an extraordinary action upon the Bank?—Not that I am aware of.

519. Had there been any withdrawal of deposits from the Bank of England?—Not that I am aware of.

520. But you consider that this intimation could only be justified under extraordinary circumstances?—I never put it in those words, and I am not prepared to put it in those words, but it was very sudden and inconvenient, and productive of mischief.

521. Mr. Thorneycroft. With reference to the appropriation of capital to railways, can you state, besides the demand for capital for railway calls, whether there were not loans made on railway shares at a high rate of interest?—There were, very largely throughout our town, by private individuals, by bankers and by fire-offices, to a considerable extent.

522. What

522. What was the rate of interest upon loans made upon railway shares?—It varied very much, I think very often it was eight per cent.

523. Do you think it was more than that in any cases?—I think I have heard of its being more, but I do not recollect any instances that I could state.

524. The offer of so high a rate of interest induced capitalists and public companies, and bankers, to make advances to a considerable extent upon railway shares?—It did.

525. You stated that the appropriation of so much money for railway purposes had lessened the cash capital of commercial houses in many instances, so as to cramp their commercial operations?—Yes.

526. Do not you think that loans to so great an extent by commercial houses to railways induced them to lean too much upon joint stock and private banks by the discount of paper, whereby to carry on their commercial operations?—I have no doubt that that was the general tendency of it; I cannot say that I could trace it in particular cases; it was only when any particular instances were brought before us that we became aware of it; we did not feel any additional pressure upon us, which the question would rather imply.

527. Some questions were asked you, in the early part of your examination, as to the renewals of bills of exchange; was the renewal of bills of constant occurrence in the course of last year?—It was; but I am not aware that it was more so than it had been in the previous year.

528. You alluded to bills drawn for purposes upon speculation as being the class of bills which had been renewed?—I alluded to the bills for export to distant places, especially to the south-western coast of America; but there were also bills renewed for all purposes.

529. Your answer to question No. 39 was, that bills were renewed "for the purchase of cotton, and sometimes for the purchase of cotton on speculation?"—Yes; they were.

530. Has it not been the practice, for some time past, in Liverpool for speculators who have not capital of their own, to make purchases of cotton upon speculation by drawing extensively on the cotton brokers?—It has.

531. Have you made any estimate of the extent to which cotton speculators have drawn upon cotton brokers, or are you aware how much any particular cotton broker has been under acceptance for at one time?—I have heard of one instance of many hundred thousand pounds; but I cannot substantiate it; 500,000 £. or 600,000 £.

532. Then you think that cotton brokers may have been found who were under acceptance to cotton speculators to the amount of 500,000 £. or 600,000 £. at one time?—I have heard of such a case, but I cannot state it of my own knowledge; it is merely hearsay.

533. But you are quite sure that transactions to a great extent have been carried on under those circumstances?—To a most preposterous degree; beyond all reasonable proportion to the capital of the brokers.

534. May not that have been one cause of the commercial difficulties of the town of Liverpool, the difficulty of meeting those bills at the time of maturity?—I have no doubt that it has been one cause.

535. Are you aware of cotton brokers in Liverpool of long standing who have refused to enter into this kind of business, as being speculative and not legitimate, or likely to forward the purposes of trade?—By far the greater number of the cotton brokers in Liverpool have declined to enter upon such transactions; it has been confined to a few.

536. Some questions were put to you by an honourable Member as to your opinion upon the issue of one pound notes; you were acquainted with the currency of the United States of America; can you state what is the lowest amount of notes in circulation in the United States?—In travelling in the United States I have often met with notes under a dollar, and dollar notes I have met with frequently.

537. I believe in the State of New York they are now limited to five dollars as the minimum; is that so?—I am not certain.

538. Do you know the rate of interest in New York at late dates required to discount good paper of solid houses?—I think the best quotations which I saw (but they are not very recent) were seven or eight per cent.

539. You have not seen any quotation as high as 12 or 15 per cent.?—I think not; but the letter that we received stated that it was rising, and was expected to rise considerably.

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549. You complained of the rate of interest charged by the Branch Bank at Liverpool being so much higher than the rate charged by the Bank in London?—Yes.

541. The county of Lancaster is perhaps the greatest circulator in the country of Bank of England notes from the great extent of the commercial transactions of Lancashire, and also from the circumstance that the public of Lancashire do not permit the issue of local notes in the county of Lancaster?—It is so.

542. Do not you think it reasonable, from being so great customers to the Bank of England, that the Bank of England should discount at its branches in Liverpool and Manchester upon the same terms as they do in London?—I have never been able to think of the shadow of a reason why they should not.

543. Are there not mercantile houses in London who have branches in Liverpool?—There are.

544. The London house gets paper discounted at the Bank of England at a certain rate, but if its branch at Liverpool sends a bill in of exactly the same character to the Branch Bank at Liverpool, is it not a hardship that it should pay a higher rate of interest?—I think it is.

545. Mr. Alderman Thompson.] Is there any case within your recollection where bills sent for discount into the Branch Bank at Liverpool of precisely the same quality as bills sent in to the Bank of England in London have been charged a higher rate?—I do not know of such instances.

546. You, no doubt, are aware that it is not only the practice of the Bank, but the practice of bankers and of bill-brokers to charge a rate of discount according to the quality of the paper offered to them?—I am.

547. There is no universal standard for the rate of discount charged by any discount establishment or bank whatever?—No.

548. Mr. Thornely.] But your own bank upon the same day has been charged two rates of discount for bills having the same time to run?—No, not the same time.

549. Mr. Hudson.] The Branch Bank of Liverpool charges one per cent. more than the Bank of England charge in London?—The merchants pay that; the bankers pay a half per cent. more.

550. There still is a difference?—Yes.

551. Mr. Alderman Thompson.] What is the minimum rate of interest charged by the Branch Bank of Liverpool now for first-rate bills?—I do not know what it has been for the last three days.

552. What has it been in London?—Four per cent.

553. Have you reason to believe that it is four per cent. in London, and 4½ per cent. in Liverpool?—I do not know what it is in Liverpool now.

554. Mr. Spooner.] You stated that, had the letter of Government not been issued at the time it was issued, the distress and the want of confidence would have been greatly increased?—I feel no doubt of it.

555. And that that would have led to a universal demand for money and a run upon the Bank?—Yes; I think the great probability is, that it would.

556. And if that run and demand for money had gone on, it would have put the Bank of England in danger of stopping payment?—I have no doubt of it.

557. You were then asked how it would do that, and whether, in order to draw the gold out, parties must not bring in all the notes?—Yes.

558. You said that it must be so?—Yes; I said so at first.

559. Is that so?—It is not necessarily so, because the demand might have been on deposits.

560. On the 30th of October the deposits, including Exchequer Bills, and London bankers' deposits, seem to be 13,607,000 £, and the notes in reserve, on that day, were 7,178,740 £?—Yes.

561. Could not a demand have been made upon the Bank sufficient to have exhausted that reserve, without paying any notes at all into the Bank?—It could.

562. Then it was not necessary to send in 8,000,000 £ of notes in order to make the Bank stop payment?—It was not.

563. Although this return appears to be dated the 30th of October, it is, in point of fact, the return of the 23d of October?—I believe it is.

564. Will you look at the paper and state what the balance belonging to the London bankers was?—One million nine hundred and eighty-eight thousand pounds.

565. Against a reserve of 1,178,740 £?—Yes.

566. You

566. You stated that the suspension of the Act of 1844 gave very considerable relief?—Immense relief.

567. Then, do you still continue of opinion, if the suspension of the Bill of 1844 gave such great relief, that the Bill itself had no share in creating the distress?—I stated before that, without knowing what the line of policy of the Bank would have been if no such Bill had existed; I could not say whether that policy might not have brought about the precise state of things from which we were relieved by the suspension.

568. Mr. Cayley.] Did the policy of the Bank of England ever bring about so serious a pressure as you observed in 1847?—Not quite so serious; there have been periods before in which we were in imminent danger, but never in such serious danger as last year.

569. Mr. Spooner.] Did it ever create that panic or distress at the time when there was in the building of the Bank gold to the amount of 6,000,000 £?—Never.

570. Mr. Herries.] You have stated, that by reason of your not positively knowing what the conduct of the Bank would have been under other circumstances, you could not answer the question that has just been proposed to you; but will you be so good as to state your opinion as to what it would have been right for the Bank to do, supposing there had existed no restriction such as was imposed by the Act of 1844, and they had possessed 8,000,000 £ of bullion in their cellars, and the continental exchanges at the time were in favour of the influx of bullion; do you think that, under those circumstances, there being a great commercial pressure throughout the country, the Bank ought to have refused to give assistance?—If they had felt a conviction that the exchanges were likely to remain favourable, and that the course of trade was not going in a direction to make the exchanges more adverse, I think they would have been right in giving relief.

571. And in all probability they would have done so?—Yes.

572. More especially, perhaps, if they had known the drain of gold was for one particular object, and that that object was not at that time prevailing?—I think they would.

573. Mr. Cardwell.] You said that during the last year, the effect of the Bill of 1844 has been, that the currency has expanded and contracted exactly as it would have done if there had been a metallic currency?—I am quite disposed to think so.

574. And you said that the great evil you apprehended was, that if the reserve of the Bank of England had been further exhausted, there might have been a run for gold?—That there probably would have been a run.

575. And with a view to meet that, you proposed to increase the proportion of metal to the whole circulation, to increase the metallic basis upon which the circulation depends?—Not simply with that view; but looking to the way in which we have always been affected when we have had a debt to pay to foreign countries, beyond the means of payment afforded by our manufactures, it appears to me that we should incur a smaller loss than we now incur, by having bullion that would always be available for that purpose. The precise mode of arranging it would require a good deal of consideration.

576. But would your plan be to have an increased metallic basis in order to prevent this particular evil, which you describe as being so great a one, namely, the fear of a run for gold?—I think it would.

577. Then having an increased metallic basis, you would not increase paper to rest upon that metallic basis, but leave the proportion of metal to the whole circulation greater than it was before?—Exactly.

578. Having got a circulation which consisted of so much larger a proportion of metal, and a bank to manage the circulation, would it not just as much follow in that case as it does at present, that if the rate of interest were kept too low in the early part of a drain, the consequence would be, that a sudden or a great rise in the rate of interest would have to take place at a subsequent period?—I think it would; but if once the capital of the Bank were repaid, which by extending it over a course of years it might be, the whole arrangement of the currency would be matter for consideration; it would not follow that precise proportions should be designated, and I should be slow in stating any certain proportion; but I think, whatever arrangements might be adopted, there should be a larger reserve of bullion.

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579. But in any case, whatever currency you had, if the management of the Bank were such as that the rate of interest was kept unduly low at the commencement of the drain, the effect would be, that it would have to be raised too suddenly at a later period?—Certainly.

580. But if, in order at any period to obviate the suddenness of that rise, the Bank were to issue paper to any extent, would they not cause the danger which you looked to as the greatest of all dangers, namely, a run for gold upon the Bank?—No.

581. When you said in one portion of your evidence that you thought that under the Bill of 1844 there should be less difficulty in the exercise by the Government of the power of relaxation, you spoke of the Bill as operating upon the currency as it now stands; but if your plan had been carried out, by which a larger proportion of the basis would be metallic, so far from allowing the Bank the power of issuing notes, you would consider that its issue of notes in that case would be in a direction exactly opposite to that of your plan?—I should think, under any administration of the currency whatever, there must be a discretionary power exercised somewhere; if the Government are to be called in under any new arrangement which may be made, I should wish them to be unfettered by the consideration that they had to violate an Act of Parliament before they could concur in any suspension, rather than that their discretion should be fettered by such a consideration; but no system of currency whatever can do away with the necessity of exercising a discretionary power in extreme cases, and where the discretionary power is to be applied to the suspension of Parliamentary provisions, the functions must always be of a character so grave, and the responsibility, of necessity, so heavy, as in all probability to secure the highest degree of caution compatible with the vigorous exercise of an unbiased judgment.

582. But do you think that the management of the currency might be expected to be such as you wish it to be, if there were an easy power of relaxation, instead of that power being clogged with shackles such as those to which you have referred?—I do indeed; because in speaking of an easy power of relaxation, I can never conceive that the restriction could be easily relaxed as long as there was a necessity for calling in the Government. The very fact of calling in the Government to authorize a particular line of policy is a very grave proceeding, and looking at the natural *vis inertiae* of Government in a case of that kind, I think there would always be a sufficient check upon it, and a sufficient amount of responsibility, though they had not to violate an Act of Parliament, to prevent too early a recourse to the suspension of Parliamentary provisions. The emergency must always be great, if the Government have to be called in at all, and I do not think that any facilities, such as are contemplated in anything I have said, would at all give rise to a lax proceeding on the part either of the community, the Bank of England, or the Government.

583. Then you do not think that it materially operates to promote caution on the part of the mercantile community to observe the reserve of the Bank gradually diminishing, and to know that there is no power sanctioned by law by which that reserve can be factitiously increased?—I think that if they saw that the reserve of bullion was gradually diminishing, and knew that before the provisions of the Act could be interfered with, there must be reference to the Government, there would be a sufficient caution impressed both upon them and upon the Bank with regard to their proceedings.

584. But yet you admit that that caution has not been sufficient, even where the difficulty has been greater?—I admit that there has been a deviation from the strict principles laid down.

585. Is it reasonable to expect that, if with a greater difficulty there has been too little caution, with a less difficulty there would be sufficient caution?—I think it would have no practical effect whatever on the degree of caution; I do not think that the fact that the Government had to violate an Act of Parliament would operate upon the minds of the community or upon the Bank of England; there might in either case be a conformity or a deviation, but I do not think that there would be any material difference as regards the degree of caution.

586. In point of fact, does not the suddenness and extent to which there must be a rise in the rate of interest, at last depend upon the degree of providence which regulated the matter at first?—I think it does.

587. Mr. Haase.) You have stated that a deputation came up in May 1847 to the Chancellor of the Exchequer, and that by the interference of the Government

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the Bank relaxed; will you state in what way that relaxation took place, what interference did the Government make?—I rather guarded myself against using the words "interference by the Government." We called upon the Government, and they had communications twice with the Governor of the Bank of England, and the consequence of that was, that when we went to the Governor of the Bank of England the relaxation took place. I have no doubt whatever that we were indebted for the relaxation to the communication that took place between the Government and the Bank of England, but I have no means of knowing it.

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588. You have stated to-day that you think the restrictions in the Act of 1844 on the issue of private banks have been salutary; will you state in what way they have been salutary?—As far as one can judge, on former occasions, there appear to have been instances in which the issues of private banks have been extended at times when the Bank of England was contracting its issues, and that appears to me to be very much controlled by the Act of 1844.

589. Then you think that there should be a power of controlling the issue of banks?—Yes; to the extent to which it is controlled by that Act.

590. You say a discretionary power is necessary in the administration of the currency, do you consider that that discretionary power should be left with the Minister of the day, instead of being left with the Directors of the Bank?—I think so; in the extreme case of resorting to desperate remedies, so long as the Bank of England exists with the large powers given to it by the State.

591. You mean to say, that as long as the Bank of England is looked up to as a national bank, such a discretionary power may be given to it?—Yes, to the Government.

592. Do you think that discretionary power should be given to the Minister of the day, or to the Directors of the Bank?—I would rather give it in an extreme case, like that of the suspension of an Act of Parliament, to the Minister of the day.

593. Do not you consider that it would be better to have no Act of Parliament, than that occurrences should take place requiring the repeal or suspension of it, at the discretion of any man?—I am not prepared to say that I should consider so.

594. You think that it is right to have that discretionary power?—I think it is.

595. If the privileges of the Bank of England now existing were removed, do you think it would be proper to constitute a system with no check on the issues of the Bank of England, or that they should be left at their own discretion?—I have not considered that subject sufficiently to be able to give an answer to that question; an entire change of that kind would involve so many considerations, that on the spur of the moment, I can hardly state what my opinion would be.

596. I understood you to give the answers you have given, having relation to the present existing system under which the currency of the Bank of England is established?—Yes.

597. And you are not prepared to offer any opinion of what might be best in case of the system being changed?—No.

598. *Mr. Spooner.* You have answered one of Mr. Hume's questions upon the assumption that the country bankers increased their issues at times when the Bank of England was diminishing its issues; upon what do you found that opinion?—I found it upon the evidence which I have frequently seen, which has been given before Parliamentary Committees.

599. But not upon any returns?—I thought I had seen it in returns, but I am not at all prepared to state that positively.

600. *Mr. Alderman Thompson.* You have stated that a vast amount of bills were put in circulation, drawn by speculators upon cotton-brokers in Liverpool; does that system extend to your advance on acceptances upon colonial and foreign produce as well as on cotton?—It refers to all kinds of colonial produce, but to cotton most especially.

601. Do you, as a banker, discourage as far as you can that description of paper?—We do not; we consider it a very legitimate description of paper, when kept in moderation.

602. If you know that a Bill is based upon a speculative transaction, do you receive that Bill, and discount it as freely as if it were a Bill founded upon a *bona fide* transaction, that is, without any speculative character about it?—We

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rather profess not to know any thing, either about speculation or ordinary transactions; but in point of fact, at a time when there was no very wild speculation risk, if a bill were presented to our own bank, though we might happen to know that it was on speculation, we should not at all demur to receiving it in discount.

603. Then, in point of fact, such acceptances are not in general considered as exceptionable paper in the estimation of the bankers of Liverpool?—Not at all, except in extreme cases.

604. *Mr. Thorpe.*] Are not bills of that class for speculations in cotton the Bills that you alluded to as bills that are frequently renewed instead of being paid when due?—They are among the class of bills that are frequently renewed.

605. *Chairman.*] You stated that at one time you had 200,000*l.* of an American bank, part of which was invested in American securities?—Yes; I mentioned that to show that we were obliged to hold ourselves in readiness to appropriate that money any day, and in point of fact, we did invest, by order, part of it in American securities.

606. Have you any means of stating the proportion of American securities held in this country, as compared with what it was many years ago?—I have not the least idea.

607. Can you state whether it has increased or diminished?—We rather imagine it has diminished; we heard that a good deal of American stock went out when gold was wanted, as part payment of our debt to America.

608. You are not informed what amount went out?—No.

609. Do you believe that gold was drained for internal purposes during the recent difficulties?—I have a strong opinion that it was, from general hoarding; I know one country bank that generally has very little, that had a good deal more than usual on that occasion, and I should have no doubt that there had been a great hoarding of gold, but I have no power of tracing it accurately.

610. *Lord George Bentinck.*] Are you aware that on the 23d of October the London bankers held deposits in the hands of the Bank of England to the amount of 1,988,000*l.*?—Yes.

611. Are you aware that at the same time the notes in reserve amounted to 1,176,740*l.*, and that the bullion in the banking department was 429,384*l.*?—The amount of bullion I do not know.

612. Supposing that to be so, it made altogether 1,606,124*l.*?—Yes.

613. If, then, the London bankers had required to draw out their deposits, the Bank of England must have stopped payment on the 23d of October?—I think so.

614. They were only in a condition, under the Act of Parliament, to pay 16*s.* in the pound?—Unless bills in their possession were falling due that day so rapidly as to bring fresh notes into their till.

615. But at the moment that return was given, if I understand rightly, the Bank of England was only in a condition to have paid the London bankers 16*s.* in the pound if the London bankers had called for their deposits?—Just so; but my difficulty in answering the question arises from this circumstance, that if there was time for the bankers to come to demand their deposits, there was also time for some of the bills to run off, which would bring fresh notes into the Bank; there was also time for some of the securities to be realized, if it were possible to realize them under such circumstances.

616. *Mr. Alderman Thompson.*] What do you mean by securities being realized; do you mean by the sale of Government Stock which the Bank held?—Yes.

617. Do you know the amount which the Bank held on the 23d of October?—The amount of public securities was 10,618,607*l.*

618. The amount of Bank deposits you have stated was 1,980,000*l.*?—Yes.

619. Then do you see any reason to apprehend anything like insolvency on the part of the Bank; and is it not a mistake to talk about their being able to pay only 16*s.* in the pound?—I think there was the greatest danger of things being brought into such a state that they could not realize the securities, and the greatest danger, therefore, of their stopping payment.

620. But if there was any market for Government securities they would have the means of getting in their notes to pay the deposits?—I think we were upon
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the point of a crisis in which there would not have been any demand for public securities, and that that constituted the danger.

621. That constituted the danger to any bank?—Yes.

622. Lord George Bentinck.] Are you aware that on the same day, the 23d of October, the bullion in the two departments of the Bank was 8,816,000*l.*?—I think it was.

623. This sum, under the restrictions of the Bank Charter Act, could not have been touched by the Bank of England?—You said that that was the amount in both departments; that which was in the banking department might be touched by the banking department, but the larger sum might not.

624. In your opinion, would it not have been at once mischievous and disastrous, and a monstrous defect in the Bank Charter Act, if the Bank of England had stopped payment on the 23d of October with 8,816,000*l.* of bullion in their coffers?—I should think it would.

625. Sir James Graham.] Reference has been made to a sum of 10,000,000*l.* of public securities that were saleable upon the 23d of October; do you know what proportion of that is the dead weight annuity?—I do not know that.

626. Is the proportion large or small?—My impression is that the proportion is large, from what I remember of the gradual diminution of the dead weight.

627. Is that readily available in case of pressure upon the Bank?—I believe not.

628. It is not a very marketable security?—I believe not.

629. Mr. Thorneycroft.] Do you believe that any bank in existence, if called upon suddenly, could pay to the depositors the amount that the Bank held on their accounts?—I should think no bank could do it.

630. Then, in that respect, the position of the Bank of England does not differ from the position of private or joint stock banks throughout the country?—In the fact of its not being able to pay all its depositors in one day, it does not differ from other banks.

631. Mr. Hudson.] But the question was put with reference to paying, not all deposits, but one class of deposits only, and deposits of a nature which is fluctuating; and ought not the Bank, under such circumstances, to be prepared to pay that proportion upon call, that is, to be in a situation to pay one-sixth of its deposits?—I should think it ought.

632. Lord George Bentinck.] In your evidence you said you had never known commerce to be so perfectly broken down, and all its channels broken up, but that you had known larger and more general losses; may I ask you when that was?—I was referring to 1825, when I think the losses were more general and more extensive.

633. At what amount do you estimate the losses in 1847, and at what amount do you estimate the losses in 1825?—I have not made an estimate of the losses in either case; I am speaking from the general impression upon my mind in both cases.

634. It is a vague impression?—It may be called a vague impression.

635. But you are not in a condition to say whether the losses in 1825 might have been double the losses in 1847, or the losses in 1847 double the losses in 1825?—I am not prepared to express any opinion as to the proportion, but I think those of 1825 were very decidedly and considerably larger than those of 1847.

636. On what sort of data do you make that estimate?—One ground of the opinion is the recollection of the very large amount of produce held in 1825 at very enormous prices, and the tremendous fall of that produce as compared with last year; there was a larger amount of produce held in 1825, according to my impression, and at very much higher prices; the fall in produce then was so tremendous as to bring down a very large number of houses, and I think greatly to exceed any fall in produce than there has been on this occasion. I think I remember a fall of 1*s.* or 1*s.* 6*d.* upon cotton, whereas 3*d.* or 3½*d.* a pound now is the maximum; cotton was sold at about 2*s.* per pound in 1825, according to my recollection, and I think it was even still higher; but it was sold in 1836 at 9*d.* and 10*d.* per pound; in 1847, when it was the highest, and had risen to what was thought such a fearful price, it had not risen above 7*d.* or 8*d.* per pound. Therefore there was a loss not only on a large amount of cotton, but there was a fall in the price to which the present bears no proportion.

637. Was the stock of 1825 any thing like the amount of stock in 1847?—My impression is that it was larger; the stock in 1847 was remarkably low.

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A. Haigres, Esq. 638. That is as compared with the last seven years?—Yes, the last 10 years; I do not go back in this return so far as 1825, but my impression is (but I would not wish it to be taken as any authority) that the amount of stock was larger in 1825 than it is now.

11 February 1848. 639. What do you say as regards the loss upon corn; was there any loss in 1825 equal to the loss upon corn in 1847?—I should think not; not to be compared with it.

640. Was there any fall in the price of colonial produce exceeding the fall in sugar in 1847?—I am not prepared to answer that; but my impression is that most descriptions of produce had been driven up in 1825 to such enormous prices as we have never known at any former time or since.

641. Have you taken into consideration the fall in the price of railway stock and canal shares in 1847?—No; I am speaking entirely of mercantile produce.

642. Do you take into consideration the depreciation in the funds?—In the answer that I gave I did not take into consideration the fall in any thing that appeared likely to recover itself; but I spoke of the fall of that which persons have been obliged to part with, and of which there is no chance of recovery. The fall of railway stock may be partly recovered again, but the losses from that source have been enormous this year; and if you take the losses from railways into account, I do not think I should be prepared to say that the total losses of 1825 were greater than the total losses of 1847; I was confining my reply entirely to mercantile produce.

[Adjourned till Tuesday next, at half-past 12 o'clock.]

Martis, 15^e die Februarii, 1848.

MEMBERS PRESENT.

Mr. Cobden.
Mr. Alderman Thompson.
Mr. Glyn.
Mr. Thornely.
Mr. Darnell.
Sir William Clay.
Mr. Hudson.
Mr. Spooner.

Mr. Cardwell.
Sir Robert Peel.
The Chancellor of the Exchequer.
Mr. Thomas Baring.
Mr. Copley.
Mr. James Wilson.
Mr. Ricardo.

THE RIGHT HON. F. T. BARING, IN THE CHAIR.

Charles Turner, Esq., Examined.

C. Turner, Esq. 643. *Chairman.* YOU are a merchant at Liverpool?—I am.
15 February 1848. 644. What line of trade are you in?—The East India trade.
645. How long have you been in mercantile pursuits at Liverpool?—Since 1829; 19 years.

646. Have you been the whole of that time in the East India trade?—First I was in the American trade, and afterwards I was in both the East India and American trade till 1840, and since 1840, solely in the East India trade.

647. You attend here, in consequence of a communication which was made to you, and with a view of laying before the Committee information respecting the state of trade at Liverpool?—I do.

648. Will you have the goodness to state what you consider were the causes that produced the commercial difficulties at Liverpool, so far as they came under your observation?—The fundamental cause I believe to be the famine, which occasioned the necessity for a large import of food to supply the consumption of the country, the consumption being increased at that period by the very large railway expenditure, which gave more money to a great number of people who are notoriously prodigal in their expenditure. I believe also that the imports of food were increased by the Government loan, and by different subscriptions of private individuals, which were expended in the purchase of food, which from the circumstance of the famine could only be supplied from abroad. These combined circumstances caused the imports

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imports of the country to be very largely in excess over any thing that the commercial exports could pay for; and the balance, I believe, was partly paid for by the export of foreign stocks and other matters of that kind, and by so reducing the indebtedness of foreign countries to ourselves; but still there remained a very large balance to be paid for, which could only be done in specie. The demand for that specie caused a considerable drain upon the banks, and an increased application to the discount brokers and other parties for the discount of bills; they finding this demand come upon them, began to scrutinise the bills offered to them for discount, in a way which they had certainly not done, to my knowledge, since 1837 or 1839, and the facilities of houses then began to be very seriously curtailed, and the weak houses began to fail. Those houses which had entered into engagements without taking into account the proportion of available means that they had to meet them, and which relied upon their credit in order to meet their engagements, rather than their available means, of course went down. This increased the alarm that had been previously felt; and the bankers and others finding that they could not rely with the same degree of confidence that they had previously done upon turning their bills and other money securities into bank notes, for the purpose of meeting their engagements, still further curtailed their facilities, and in many cases refused them altogether; they locked up their bank notes, in many instances, to meet their own engagements; they were afraid of parting with them. Merchants were obliged to look forward to meet their engagements in a way that they had never hitherto done, inasmuch as they could not depend upon being able to raise bank notes, and they were afraid, when once they got the bank notes, to part with them. The alarm and confusion of course were increased daily; and unless Lord John Russell and the Chancellor of the Exchequer had issued the letter to the Bank, which they ultimately issued, I believe that universal bankruptcy would have been the issue. I believe that letter was a very wise one. I think particularly that the rate of discount which they charged, eight per cent., was a very prudent measure, inasmuch as it prevented its being taken advantage of to get money for purposes which it was not intended to facilitate.

649. How do you consider the Government loan aided in increasing the pressure?—Inasmuch as the Government loan was expended in the purchase of food, which food could only be supplied from abroad. It might be a very proper course for the Government to pursue; but it is clear, that if Government had not issued that loan, the same importation of food would not have taken place. I do not quarrel with that matter at all, but I merely state it as one of those causes which increase the import.

650. You stated that foreign stock went out to pay for the imports; can you give the Committee any information as to the amount of foreign stocks that went out of the country?—No, I cannot; it must be merely matter of inference.

651. Do you consider that in the beginning of 1847 the state of trade in Liverpool was in a wholesome condition?—Events have proved that the trade neither in Liverpool nor London, as regards the East India trade, was in a wholesome condition at all; we were very much deceived as to the state of trade. There is no doubt that there was a very great deal of over-trading at that time in both places, as regards the East India trade.

652. Do you confine that to the East India trade?—My knowledge applies more to that trade than to any other. Events have proved, perhaps, that there was more over trading in the East India trade than in any other. The American trade was in a much sounder state than in 1839, while the East India trade, which was comparatively sound in 1839, was no doubt extremely unsound at the commencement of 1847.

653. What is your opinion of the effect of the Act of 1844, as to producing the commercial distress?—I think that the Act of 1844 had very little to do with producing the commercial distress. There would have been comparatively very little distress if there had not been over-trading. There must have been some distress or some pressure in consequence of the large imports of food, and the consequent drain of specie curtailing the usual facilities, but that would have been borne very much more easily if it had not been for the numerous failures which took place, and the alarm and distrust consequent upon those failures.

654. When you speak of over-trading, do you include railway speculation?—I am now speaking more of mercantile speculation. The enormous amount of bills which were rendered totally unavailable, of course brought down some houses that had a right to consider that they had available means, and that

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crippled the resources of others to a very great extent. Had there not been that over-trading, there would have been comparatively very little alarm; there must have been a good deal in any case, but comparatively it would have been little.

655. Do you think that the Act of 1844 produced any effect in creating that alarm?—The knowledge that they could not have any more notes beyond a certain extent, that the Bank must stop issuing notes to a certain extent, no doubt alarmed people a good deal. If the Bank could have issued more notes, the panic would have been postponed; but my own opinion is, that it would have come afterwards with redoubled force. Specie would have gone out of the country to a much larger extent than it did; then a panic would have come, and you would have had a run for gold as well as for bank notes, which might have been worse than the run for bank notes.

656. Are you speaking of the panic of October, or of the panic of April?—I am speaking of the panic of October; there was a pressure in April, but by no means a panic.

657. You have expressed an opinion that the course pursued by the Government in suspending the operation of the Act was judicious; do you consider that that letter should have been written before it was?—I think it might have been written previously, both with safety and advantage to the public; those houses that were notoriously weak had gone down, and the pressure began to break what you may term solvent houses, and to occasion others to sacrifice their property to an enormous extent, from the impossibility of getting bank notes for their property or for their bills; I think that then the Government might with safety have issued that letter; it was quite right, in my mind, to prolong it until it had cleared away what might be considered houses trading beyond their means, and trading without any available capital to meet their engagements; but that being done, I think the Government might with safety have interfered, always taking care that they had such provisions as would prevent the help being taken undue advantage of.

658. You are speaking of the rate of interest?—Yes, something to prevent the money being taken for railway speculations, or for entering into other matters which would give no relief to commercial pursuits.

659. You approve of the amount of the rate of interest being stated in the Government letter?—Certainly; I think it was very wise indeed. The giving an unlimited power of issuing notes with that provision, in my mind, was the cause of the comparative ease that was immediately felt.

660. But you think that step might have been taken earlier?—I think it might.

661. Can you state when you think that letter might have been safely issued?—I was requested to come up with the mayor and a deputation from Liverpool; I forget how long it was before the letter was issued, but I think it might have been safely issued at that time.

662. You stated that you thought the letter might safely have been issued when the houses which had been over-trading had been cleared away; but how were the Government to know who had been over-trading?—I am far from blaming them about it. It is a matter of discretion, in which I cannot say that they did not act wisely. Of course it was a matter of opinion as to whether the pressure had gone far enough to answer its purpose. A great deal of pressure must exist before matters could right themselves, and before it was prudent for the Government to issue any such letter. I quite think it was only a matter of degree; that things never could right themselves without a great deal of pressure, I quite agree.

663. There must have been pressure and distress, in your opinion, before the Government ought to have given way?—Certainly, I quite think so.

664. Have you formed any opinion as to the conduct of the Bank during the recent commercial difficulties?—Yes; I think that if the Bank had begun to raise the rate of interest gradually from the beginning of 1847, and continued the strain constantly from that period up to October, the probability is that things would not have been so bad. The great matter in these cases is not the rate of interest charged by the Bank, but it is that commercial men and bankers, banks and other parties, should feel that at some rate or another, according to the fair rate of money at the time, they can turn their securities into bank notes. That is the great matter; and what tended more than anything else to produce the panic was the fear, on the part of many bankers, to my knowledge, that upon no terms whatever could they get bank notes to meet their own engagements, though they might have commercial bills or valid securities by them upon which in all ordinary times they had the power of raising money directly; they were afraid that

that there was no security whatever that they could turn those into bank notes, and they were obliged in consequence to refuse accommodation to their customers from the fear that they might want it themselves, and they dared not part with their bank notes. It was not a question of rate of interest; if they had thought that they could get bank notes at 15 or 20 per cent., they would have accommodated their customers, because whatever they paid they could get from their customers, but it was the fear of not being able to get them at all.

665. As to the conduct of the Bank, you think that if they had raised their interest earlier, it would have had a good effect?—I think it would have stopped the drain of specie to a great extent, and things would never have come to the pass, that the Banks would have been obliged to refuse in Liverpool, as in Liverpool they refused almost altogether for a long time to do anything; I think they would have retained the power of helping the commercial community all through the crisis, instead of being thrown upon their heels.

666. Mr. Cayley.] What do you mean by the Banks refusing to do anything?—The Banks at Liverpool refused altogether to discount; they threw no discredit upon the bills, but they refused to do almost anything.

667. *Chairman.*] Were there any instances in which the branch bank at Liverpool refused to discount?—Yes, it was notorious.

668. Can you mention any instances?—They refused myself; they refused in a variety of cases; Mr. Laugton and Mr. Hodgson went to them, and asked them if they would discount for them, and they said they could not; that they might come up to London, but that they could not do it under their instructions. I believe that the Bank here state that they have always done it, but certainly they did not do it in Liverpool.

669. Can you state the time of these transactions?—Only from recollection; but I suppose it must have been in September or October; they refused me personally for my house's bills, which I offered to endorse; Mr. Fletcher said he could not do it, he could do nothing.

670. Mr. Hudson.] He did not object to the bill?—No, he said that he could not do it.

671. *Chairman.*] Do you recollect his expression accurately?—As far as I can recollect, it was, "I can do nothing for you, I have not the power."

672. Have you any suggestions which you can offer to the Committee, with the view of improving the state of our monetary legislation?—As regards the Act of 1844, I cannot help thinking that it would be desirable that, instead of its being left to the Government to suspend the operation of that Act, looking for a Bill of indemnity afterwards, there should be some permissive power, guarded as you please, introduced into the Act; that is the only suggestion that I can give as regards that.

673. Permissive to whom?—To the Government, either in conjunction with the Bank, or by their own power without the Bank, if it was so thought proper, that they might feel that they have some power of suspending the operation of the Act, when they thought it necessary. I think that would give them more freedom of action than they now feel authorized to exercise.

674. You think that it would work beneficially, by rendering it easier for them to give way when a case of necessity arises?—I am by no means desirous that they should give way soon in the matter, because my own feeling is, that if they gave way early it would be very prejudicial; but there is a great deal of harm done by continuing the strain too long. But, after all, the time when must be a question of discretion, for which I do not think you can fairly blame any body.

675. Have you formed any opinion upon the question with whom the discretion should be vested?—Either in the Government solely, or in the Government and the Bank jointly.

676. Do you consider the constitution of the Bank, as at present formed, satisfactory?—Not altogether; in my opinion, there must be a large commercial interest in the Bank direction, a very large number of merchants; but I cannot help thinking (without the slightest imputation upon the Bank directors), looking at the disasters that have taken place, and the way in which the Bank direction has been mixed up in the disasters, that there must have been many members of the Bank direction to whom it was of importance that the Bank rate of interest should be kept down, when for the sake of the public it ought to have been increased. I think it would be desirable that there should be some Government officer, either a paid governor or a paid deputy governor, who should have some controlling power as to the rate of discount upon commercial bills; that it should not be left

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entirely to gentlemen engrossed in commercial pursuits, and who may have a strong interest in keeping down the rate of discount, when, as regards the public, it may be desirable that it should be raised. That is the only suggestion which I can offer respecting the Bank.

677. You said that there had been over-trading; will you explain more particularly what you meant?—As regards the over-trading, there has no doubt been a vast deal of over-trading; a matter which has tended still further to embarrass matters. Of course we are all aware of the events which have taken place as regards the Mauritius trade, and other trades of that kind. The brokers have been in the habit, we all know now pretty well, not only of advancing upon goods after their arrival to meet the bills drawn against those goods, which is perfectly legitimate, and upon the bills of lading, which, to a certain extent might also be done; but beyond that, they have done what is perfectly illegitimate; they have advanced upon the produce before it was shipped, and in some cases before it was manufactured. Now, to speak of my own individual instance: I had bought bills in Calcutta to the extent of six or seven thousand pounds in one particular instance; the proceeds of the bills went down to the Mauritius, to help in the growth of sugar; those bills came to England, and above half of them were protested; for when the shipments of sugar came forward, instead of being held to pay those bills, it had been mortgaged to third parties to pay previous engagements before it was shipped, in fact almost before it was hoiled. Now, nothing can be more unsound and worse than that state of things that has gone on to a considerable extent.

678. Mr. Alderman Thompson.] Can you give the Committee any information as to the probable amount of dishonoured bills which were returned from India during September and October last?—I cannot say; I was at Reid, Irving & Company's meeting; I asked, at the meeting, how much they expected to be drawn each mail before the accounts got out, and the answer I got was about 20,000*l.* each mail, that would be about 40,000*l.* a month.

679. The question refers to the aggregate amount of dishonoured bills returned upon India?—I have no idea of the amount.

680. Has not the amount been already so large as to occasion the failure of a great many houses in India, since the disasters happened in this country?—As far as my knowledge extends, no house has failed in India without the corresponding house here having gone down first: in all cases I could tell the day before the mail comes in what accounts they are to have, and what house is to go; it is the partners and correspondents of houses here that have gone; none at present have gone, except in those cases.

681. Does not that show that the amount of drafts drawn from India, especially from Calcutta, upon England, must have been to a very large amount to have occasioned that?—No doubt about it; there is no doubt that the amount is very large.

682. Do you think it approaches the amount of 10,000,000*l.*?—I should think not; at least not that can have gone back yet; what it may be when they are all matured I do not know. I have no data upon which I can give an answer; it would be the merest guess in the world.

683. Has the loss of capital been so large upon the part of those engaged in the East India trade, as for the last four or five months to almost entirely put an end to the export trade to India and China?—The export trade to India has been very trifling the last three or four months.

684. To what circumstance do you ascribe that?—One cause is this; everybody connected with the trade holds a very large quantity of bills received from India. It is impossible for any party to know with any certainty, under present circumstances, what amount of those bills will be paid at maturity, or what amount will be returned upon him; therefore it is not only the loss of capital, but the apprehension of what may happen till those bills have run off; unless, therefore, a man can see his way, he is afraid of paying bills away, he must keep them by him; eventually he may come off better than he might have expected. If his bills all run off, then the thing goes on again; but while there is a large amount of bills receivable, he must act accordingly, having those liabilities hanging over him.

685. Do you think that the state of commercial credit has any thing to do with the diminution of shipments to India?—No doubt it has. In consequence of the number of houses which have failed, there must be new houses rise up. There were a number of houses that were in the habit of giving facilities to other houses to export goods to India, and those facilities are withdrawn.

686. You

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686. You think that the export of British produce and manufactures to India, until additional capital is brought into the trade and new houses are established, will be less than it hitherto has been?—It will for a time, but I have no doubt it will soon rectify itself. As regards the export trade, when parties see that there is any good opening for goods, you will very soon find that goods will go out after a while; in one way or another the goods will soon find their way out.

687. Are goods that are now purchased for the East India market, purchased on credit or for cash?—I believe that now manufacturers are insisting upon cash, but it does not amount to much, because if a buyer has any credit in London, he can draw upon the house, and get the bill discounted; he goes to London, where discounts now are cheap; he gets the bill discounted, and pays cash to the manufacturer; you have further to go before you can say how far that will operate.

688. It takes twelve months, at least, for the shipper of goods to get his return from India; at what date does the shipper of goods to India draw upon the London house?—There has been a very great deal of harm done by credit given by London houses, by giving facilities to men who have no capital going into the trade: transactions of this kind have taken place; a man with ten or fifteen thousand pounds would go into the Indian trade; he would open a credit with a house in London, to a considerable extent, giving that house one per cent.; he, drawing upon the house in London, on the understanding that the proceeds of the goods that go out are to be returned to the house in London, but it being perfectly understood by both parties that the man in London is to be kept out of a cash advance; that is to say, in other words, the bills are to be renewed till the proceeds come home: that is all very vicious.

689. The bills were discounted at Liverpool, Manchester, and other places where the transaction originated?—Or in London; many of them in Scotland; many of them lie in the Scotch banks, and never come out at all.

690. Has there been any inconvenience experienced in India, in forwarding India produce to this country, in consequence of the state of credit here?—I do not think there has been any at present.

691. Can bills be freely drawn from India against produce?—With the hypothecation of the produce, there has been this inconvenience, that the natives would not part with their goods without being paid in cash for them the last few months; but there has been no real difficulty in getting the produce forward, and it is coming now to a large extent.

692. Does not it come in this way, that, instead of the party drawing upon the consignee, and selling the bill, he is now obliged to draw a bill and attach it to the bill of lading, and to apply to the East India Company to get the amount advanced?—No, I think that with a hypothecation of the goods, he can negotiate his bill very well.

693. Without the intervention of the East India Company?—Yes, as far as my own knowledge has extended; we have been unfortunately in a situation in which we have had no bills to draw, but we have had a large quantity of bills to remit, and therefore we have had no occasion to negotiate any bills upon this country.

694. Is it not within your knowledge that, for some months past, a great bulk of the business has been carried on in reference to the shipment of goods to this country in this way, that the East India Company have taken bills in connexion with the bills of lading, and advanced the amount upon them?—No doubt they have done that to a considerable extent.

695. Does not that greatly facilitate the sending forward East India produce to this country?—There is no doubt about it.

696. Mr. Glyn.] That is a great convenience to the East India Company?—No doubt.

697. Mr. Alderman Thompson.] Why is it a great convenience to the East India Company?—The East India Company have a balance of about 3,000,000 £ to remit to this country every year; and if they were to send specie they would do it at a very great loss. Even at the last low rate of exchange, it is much better to send bills than to send specie, and therefore it is convenient to them to get a safe mode of remittance.

698. Have not the East India Company, to a certain extent, always been purchasers of bills upon England?—The mode of operating is, that the board here send out orders to advance to the extent of 500,000£ or 600,000£ at one time, and it depends upon how many bills upon India they may be able to sell in London. They are guided by their own interest in the matter.

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699. You have mentioned that you were personally refused discounts at the branch bank of Liverpool, by Mr. Fletcher, in the months of September and October last; will you have the goodness to state when you applied to him, how long you had been in the habit of discounting at the branch bank at Liverpool?—Perhaps two or three months; I had no claim upon him at all; I do not complain of him as regards myself, but as regards bankers. I think that they have some reason to complain of the instructions given him. It was not a business transaction as regards me. It is probable that the transaction may have been something of this kind; that I had discounted bills for my house out of my private resources, and I may have wanted the money, and gone to Mr. Fletcher for it.

700. Mr. Hudson.] At all events you were refused?—Yes.

701. Mr. Alderman Thompson.] You know that every person who has a discount account with the Liverpool branch of the Bank of England must be in business as a merchant, and the account must be opened and worked according to the arrangements which may be made at the time of opening that account, there being a maximum amount of discount arranged between the manager of the bank and the discount; now will you state in what form you opened that account; you were a partner, at that time, in the firm of Sands, Turner & Company?—Yes.

702. Was that account opened in the name of Sands, Turner & Company?—The account was opened in the name of Charles Turner.

703. Were you a merchant on your own account at that time?—I may have had individual transactions on my own account, but I was not a merchant on my own account.

704. Are the Committee to understand that "Charles Turner" had a regular discount account opened with the branch bank of Liverpool upon the terms which have been stated in a former question, according to the rule of that branch, that when an account is opened, there is to be an understanding as to the maximum amount that shall be discounted?—No, there is no understanding whatever.

705. Then was it proposed to be a mere casual transaction between you and Mr. Fletcher when he refused you the discount to which you have alluded?—You may call it a casual transaction; I had probably not discounted with him above two or three times before; it must have been a casual thing.

706. You were not one of his regular discounters?—Certainly not; it was not a business transaction.

707. Mr. Hudson.] Had you frequently discounted with him before?—Several times; but all casual transactions.

708. You stated that Mr. Fletcher had refused discounts to many commercial houses in Liverpool, and you were asked to mention some of them, and you said one is "my own case," or "my own house"?—I stated "my own case," I believe; I intended to give a straightforward answer.

709. Did Mr. Fletcher refuse to discount for Sands, Turner & Company?—They had no account with him; they never had an account opened with him at all.

710. You stated that the great apprehension in the minds of the people of Liverpool, and of the public in general, was, that they would not be able to get notes from the Bank of England?—Certainly; I am a director of the Bank of Liverpool, and I know it from conversation at the bank, and from what Mr. Hodgson and Mr. Langton told me, that at the time when they went up to Mr. Fletcher, they could get no assurance from him that they would have bank notes.

711. You were no doubt aware that the only funds which the Bank can employ, either in lending upon security, or in discounting of bills, must be from their deposits?—Clearly.

712. The amount of deposits which they have at their disposal must be the limit of the accommodation which they can afford to the public?—I am not speaking of the causes; I am speaking of the effect.

713. Is not that the fact?—I do not know what the arcana of the Bank may be; but the fact, that they refused discounts, is notorious all over the town: it is not my *ipse dixit*, but I have heard it from bankers and others, besides Mr. Hodgson and Mr. Langton.

714. You state, that you are a director of the Bank of Liverpool?—Yes.

715. In the management of that bank, have you any customers for whom you discount to an unlimited amount?—Certainly not.

716. Then, the Bank of England having only their reserve to work with, do you think it an unreasonable course of action for them to adopt, to restrict certain houses

houses to a limited amount?—That, of course, must be a matter of discretion with them as to what they feel inclined to do; but I am speaking of the effect, that they did not do that for the public which they had been in the habit of doing previously, and which they did afterwards: as soon as the letter of the Government came out, there were facilities given, which were not given previously. That is the real history of the matter.

717. Because the letter allowed the Bank to issue notes, if they found it necessary, upon securities, exceeding the amount of 14,000,000*l.*?—No doubt; they knew very well that they should not be brought up themselves, and therefore they could give those facilities which previously they were afraid to give; they were obliged to husband their resources for their own purposes.

718. Supposing the Bank of England had at the time eight millions and a half of bullion, do you or do you not think that they might safely have issued notes to a greater extent than 14,000,000*l.* at that time?—I do not say that the Bank could safely have done it. I am merely stating what they did.

719. What is your opinion upon that point?—As to what the Bank could or could not do, I must have access to more information than I have at present, before I can give an answer upon a point of that kind.

720. Does the same answer apply to the opinion which you have expressed, that the Bank did not raise the rate of interest quickly enough during the past year?—No; I think we have sufficient information to make that clear to us. The bullion was going out gradually from the commencement of the year. If I had sugar or any other produce, and I found it gradually going from under my feet, I should certainly raise the price to people that came for it; I think that the Bank ought to have done the same thing.

721. Do you know what the minimum rate of discount at the Bank of England was in January 1847?—Four or five per cent.

722. Are you aware that it was four per cent., and in April five per cent., and that it continued at five-and-a-half and six per cent. till September, and that in October it was raised to eight per cent., and that at that time all the exchanges on the continent of Europe were in favour of this country?—In April and May there was very great distrust and very great difficulty in getting discounts. It was relieved somewhat in May and June; but after that time there was a gradual drain for gold, and it was evident that gold was leaving the country. I think that, generally speaking, they should have raised their rate as the gold was leaving them; I think it was not done sufficiently early.

723. You are aware that the Bank never discount bills for a longer date than 95 days?—Yes.

724. Are not bills not exceeding 95 days' date discounted at a lower rate than bills of a longer date?—Generally so, except when money is very easy, and then there is no great difference.

725. Do you know what the rate of discount was by the banks and discount brokers upon ten months' bills, East India bills, for instance, in the month of September?—You could not do them at all, scarcely.

726. Did you hear of any being done upon houses of undoubted responsibility?—No, I do not think I did; I know I tried to do some in London, and they could not be done at all in September.

727. Did you make any offer of a rate?—No; because I never do, when I do not find that the thing is readily done. I could do without, and therefore it was not desirable to do it.

728. Do you think that you could have got it done at 16 or 17 per cent.?—I cannot say; I heard of 10 and 11 being given.

729. While this high rate of discount was being given for bills, what was the effect upon the price of produce?—Produce was to a great extent unobtainable.

730. Then is it a matter of surprise to you that houses of credit and capital, having to pay 10 or 11 per cent. discount for their bills, and having no market for their produce, should fail?—There are very few houses that had available means that have failed. If you begin and go from one end to the other, I do not believe that, with one exception or two, you can point out any house which has failed that had available means; they had large means, but not available. The whole of their capital was locked up in estates in the Mauritius, or indigo factories, or sugar factories. Having incurred liabilities to the extent of 500,000*l.* or 600,000*l.*, they had no available assets to pay their bills, and eventually it proved that to pay their bills they were entirely dependent upon their credit.

731. The holders of those bills suffered to a considerable extent; they were
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disabled from carrying on business?—No doubt they were; but if they were prudent, the solvent houses have weathered it notwithstanding severe losses. Unfortunately I held a good many of those bills myself. Of course I have not accepted bills against exports, which I usually should have done.

732. You are of opinion that the letter which Lord John Russell and the Chancellor of the Exchequer wrote to the Bank stopped the panic, inasmuch as the public then saw that they could get bank notes, although they would have a high rate or interest to pay?—No doubt it occasioned great ease; and at the same time there were other concurrent circumstances which stopped the panic besides that. The distrust had gone to such an extent that commercial engagements were so much contracted, that very much fewer bank notes did the work.

733. Would you recommend that the Bank should be subjected to any limitation as regards the issue of notes upon securities, or would you limit the amount, and give a discretionary power to the Government, either conjointly with the Bank or otherwise, to extend that limitation under certain circumstances to a fixed amount; or would you leave it altogether discretionary, as was the case when the letter of Lord John Russell and of the Chancellor of the Exchequer was issued?—I would limit the amount to be issued upon securities by the Bank, leaving a discretionary power by the Government to go to any extent that they thought proper.

734. You would leave the limitation of 14,000,000*l.* as it now stands?—I should be inclined to do so; I do not see that one or two millions more or less would be any great relief; it might postpone the panic for a certain time, but it would come just the same.

735. Have you turned your attention to that part of the Act which limits the Bank to issue notes upon silver only to the extent of one-fourth the quantity of gold?—I have not considered that question much.

736.* Are you disposed to give the Committee any opinion upon that subject?—No, I would rather not.

737. Mr. Cardwell.] With respect to the refusal of Mr. Fletcher to discount your bills you stated that the reason assigned by Mr. Fletcher was not at all as to your not being a regular discounter, nor as to the amount of bills that you might have at that moment under discount, but that he assigned as the reason that it was not in his power to meet your wishes?—I think his answer was something to this effect, "I cannot do it," or "I can do nothing for you." Any amount that I might have had with Mr. Fletcher, must have been a mere bagatelle; perhaps 1,000*l.* or 1,500*l.*; it was my own private matter.

738. Mr. Glyn.] Did you discount paper for your mercantile house in your own name?—I may have done so to the extent of 1,000*l.* or 1,500*l.*

739. Mr. Fletcher did not assign as the reason of his refusal that yours was a mere private account?—Not at all; but he said, "I cannot do it," or something equivalent to that. I do not complain of it, because I do not feel that I had any claim upon him.

740. Mr. Alderman Thompson.] Your application was as a mere miscellaneous discounter?—Yes; but the fact is notorious, that there certainly was an inability to do it, and a refusal to do it.

741. Mr. Glyn.] Are you aware whether other houses were refused about the same time by Mr. Fletcher?—I do not like to mention any names, but the thing cannot be gainsaid.

742. It did not apply only to the bank of Liverpool and other banks, but to mercantile houses?—Yes; the thing cannot be gainsaid at all. While I am upon that subject, I may mention that we think it is a great grievance in Liverpool that we should pay one per cent. discount more than is charged by the Bank at the same time in London. We do not see why that should be done. We have that grievance against the Bank of England: whatever the rate of discount is at the Bank in London, the branch at Liverpool charge us one per cent. more.

743. Mr. Alderman Thompson.] What is the rate of discount charged now by the branch bank of England in Liverpool?—I cannot say.

744. Are you aware that it is $4\frac{1}{2}$ per cent., and that the minimum in London is 4?—I am not aware what it is at present; but the usual rate charged by the bank in Liverpool is one per cent. more than the rate in London.

745. Do you mean to say that when the minimum rate of discount by the Bank of England, in London, is four per cent., they charge five per cent. at Liverpool?—That is the usual course.

746. How long has that been the course to your knowledge?—Ever since I recollect the branch bank being established. I have always heard of that being the

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the course. To my own knowledge I cannot speak of it, because I have only been to them occasionally. I understood that they have the power in first-class bills of giving way half per cent., but the usual course in ordinary transactions is one per cent. above the rate in London.

746. Do you mean to say that when the maximum rate of discount was two-and-a-half per cent. in London, the minimum rate charged by the Liverpool bank was three-and-a-half?—That I cannot say from my own knowledge; but I understood that to be the case, that when it was five per cent. in London it was six per cent. in Liverpool.

747. Does not the quality of the bill regulate the rate of discount; for instance, if four per cent. be the minimum for first-class bills, second and third class bills are a fraction higher, are they not?—As far as I understand the matter, the usual course is exactly what I stated it to be.

748. You are a director of the Bank of Liverpool; do you find that for your discounts the branch bank charge you one per cent. more than the minimum price in London?—They have a discount account, which is at a fixed rate.

749. The question refers to the excess beyond the contract amount of 200,000 *l.*; do you, upon that excess, pay one per cent. above the minimum price in London?—I believe that, as regards bankers, they make a concession; they charge them somewhat less; but the usual course with the trading community is to charge an extra one per cent.

750. Mr. Thornely.] At all times you believe that the branch bank of Liverpool charges a higher rate for the same quality of bills than the Bank in London does?—They always charge a higher rate; my belief is, that it is usually one per cent. To bankers, I believe, they make some concession. It may be a half per cent., but it is always a higher rate; they never discount at the same rate that they do in London. Those transactions that I have done with them certainly have been in that way. Whatever I have done has been at one per cent. above the quoted price in London at the time.

751. Mr. Cayley.] Do you remember ever experiencing the same impossibility of getting bank notes as existed last year?—Never.

752. Mr. Thornely.] Can you state what rate of interest has been paid for advances upon railway shares in the course of last year?—Something equivalent to 10 per cent. has been paid within my knowledge; but I do not recollect that more than that has been paid.

753. In ordinary times, is not the rate paid for advances upon railway shares considerably beyond the rate charged upon commercial paper?—Yes; the rate that can be charged upon railway shares readily now is about seven to seven-and-a-half per cent.; it depends somewhat upon the nature of the stock that you pledge; but in some cases I have no doubt that nine per cent. would be given now.

754. For what length of time?—From three to six months.

755. Mr. Hudson.] A good deal will depend upon the quality of the railway stock?—Clearly so.

756. Upon North Western stock, what would you get it for?—At $7\frac{1}{2}$ per cent., you would get money upon London and North Western.

757. Mr. Thornely.] The railways have diverted, probably, a good deal of capital that would otherwise have been employed to give commercial facilities?—Yes; of course they would have a tendency that way.

758. Mr. Cayley.] Do you recollect after the pressure of 1839 and 1840, mercantile houses being very much indisposed to embark in mercantile transactions?—The pressure of 1839 was principally upon the American houses; it affected the East India trade, and general trade, I should say, comparatively little; there was no difficulty whatever in discounting East India bills in 1839 and 1840.

759. If it had not been for the pressure of 1839 and 1840, do you think that many mercantile houses would have embarked as much in railways as they did?—It was the abundance of money from 1840 to 1845 that occasioned them to embark in railway undertakings to the extent they did, and the great ease of obtaining discounts, the rate of interest being down at two-and-a-half per cent.

760. Do you recollect when that rate of discount commenced?—I do not recollect at present; but we discounted bills some seven or eight months before that time under three per cent.; I think, at 2 $\frac{1}{2}$.

761. You do not recollect that it commenced in September 1844?—No; I cannot speak as to that.

762. Mr. Hudson.] You said, that when the letter of the Government was issued

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issued, the commercial engagements of the country were running off fast; have you looked at the return of the Bank of England for that period?—No, I have not.

763. Would it alter your opinion, if you found that the bills under discount, in the Bank of England, were larger on the 23d and 30th of October and 6th of November, than they had been at any previous time?—It is a matter of experience as to what we did ourselves: after the pressure began in September, we first very much reduced the number of acceptances we gave; when we found the pressure continued, we said, "We will give no more acceptances." Of course every month the matters were running off; for the first three or four weeks it would not be perceptible in the bank return, but, looking prospectively, we had fewer engagements to meet.

764. You gave an opinion, that it would have been better if the Chancellor of the Exchequer had issued the letter a little earlier?—That is my opinion.

765. Even now, although money is very abundant, is there not great difficulty in getting a six months' bill discounted?—Not the slightest, if it is paper they like.

766. At what rate?—At four to four-and-a-half per cent., there is no difficulty, if the paper is of a class that is approved of; I discounted a bill at four-and-a-half per cent., having seven months to run; there was not the slightest objection to it; I was in the city this morning, and I asked the question, and they said there was no difficulty whatever, that it would be about four-and-a-half per cent. to-day, and that if money became cheaper, it would be less.

767. With the dearthness of money, still railways have been going on constructing, and calls made as before; there has been no abatement in that?—That I have not looked into; but there is no difficulty in discounting a six months' bill to-day, if the quality of the paper suits.

768. You stated that it is notorious, that many houses had been refused accommodation by the Bank of England, who were able immediately to obtain it upon the issuing of that letter?—Certainly.

769. Have you any doubt that the Bank of England had not the power of doing it, that they would have been glad to have given the accommodation, but that, under the operation of the Act of 1844, they had not the means of doing it, and therefore were obliged to refuse?—I have no doubt that was the reason, that they felt they had not the power, but they had all the willingness in the world.

770. As soon as the letter was issued, they immediately gave the accommodation that was required?—Yes, that was the case, no doubt.

771. Mr. Cobden.] You said that there would have been a wide-spread ruin if that letter had not been issued by the Government, and you said that you thought it would have been better if the letter had been issued a little earlier?—I think it might have been done, both with safety and advantage.

772. Do you think it would have prevented any of those failures that took place if the letter had been issued earlier?—I doubt whether it would have prevented any failures; it would have relieved a great many solvent parties who had to sacrifice a good deal during the whole of that time; it would have relieved them so much earlier, but I doubt whether it would have saved any house that went down.

773. You were understood to say, that you considered that very few of the houses that failed possessed any available capital in their business?—No; I said that very few houses failed that ought not to have failed; a great many of those that failed had very little available capital; I do not think there is any case in which a solvent house, able to pay 20s. in the pound, has failed; I am not aware of any; it must have been to a very small extent, if at all.

774. Has not the present system of carrying on business with India tended to deter men of large capital from entering into that trade?—I do not know that it has, because we were not aware, till these matters took place, of the rottenness of a great deal of it.

775. Do not you think that the mode in which the business has been carried on with India has had the effect of driving men of real capital out of it?—It certainly has had the effect of reducing the profits that men of capital ought ordinarily to have received for their capital; it has occasioned severe losses to them, but I am not sure that it has driven them out of the trade.

776. Are you not aware of the fact that some of the richest manufacturers and spinners in Manchester and the neighbourhood have withdrawn from the India trade in consequence of its being found unprofitable in competition with the

system

system that you have described?—I do not think they have withdrawn out of the East India trade. C. Turner, Esq.

777. There was a deputation went up from Liverpool, requesting the Government to interfere?—Yes, I was one of that deputation. 15 February 1843.

778. Are you aware of the fact that no deputation went from Manchester requesting any interference?—I am not aware how that was.

779. Are you aware that in case of greater facilities being given to the Bank, and the consequent cheapening of money, the tendency is for speculation to take the direction of raw materials and produce, which is so far a disadvantage to the manufacturer who consumes the raw material?—No doubt; but when I spoke of the Government issuing the letter earlier, I meant to say that if it had been issued earlier I would have guarded against the abuse of it by putting a high rate of interest upon it; if eight per cent. would not have done it, I would have charged 10 per cent. The advantage which I contemplated from it would be, that if a man had a good bill he should be able to get it discounted at some price; I own that I should not have found fault with any rate of interest, 10 per cent. if necessary; I quite allow the evil that would be experienced from issuing a letter of that kind without a high rate of interest being charged.

780. Mr. Disraeli.] You said that you thought the trade of India was sound in 1839?—In 1839 and 1840.

781. Do you mean to say that the same system was not pursued then?—I think it was pursued, but not to the same extent; I believe that the system of bill-drawing between Calcutta and England has been increased very greatly indeed since 1840; that there was nothing like the same quantity of bills drawn at that period.

782. Were not all the Indian markets glutted in 1841?—Yes, I think they were; but there was a large extension of trade afterwards.

783. Was that the consequence of a sound system of trade in 1839 and 1840?—No, the probability is that profits had been increased, and consequently shipments were encouraged, and considerably augmented afterwards.

784. If you found your markets glutted, would not you consider that evidence of previous over-trading?—There are several considerations to be looked at; to a certain extent it may be considered over-trading; for if you have one or two very profitable years, the consequence is that the manufacturers are encouraged to export a larger quantity of goods.

785. Do you call that over-trading?—I am not prepared to say that I should; it depends upon the degree to which it is carried.

786. Did not the glut last in the Indian markets to 1842 and 1843, so that prices were not remunerative in 1842?—I do not recollect as to that; the general course of the trade has been a tolerably good one up to last year; but to show the way in which the matter has been carried on of late years, I will just mention one fact; there is one house which failed in London the other day, and in examining their affairs, a transaction of this sort was proved to have taken place; there is a house of business at Manchester, and another at Calcutta; they opened a credit account with a house in London to the extent of 200,000*l.*; that is to say, the friends of this house in Manchester, who consigned goods to the East India House from Glasgow and from Manchester, had the power of drawing upon the house in London to the extent of 200,000*l.*; at the same time, there was an understanding that the corresponding house in Calcutta were to draw upon the London house to the extent of 200,000*l.*; with the proceeds of those bills sold in Calcutta, they were to buy other bills, and remit them to the house in London, to take up the first bills drawn from Glasgow. The whole of this was not carried out, but that was the arrangement; so that if the arrangement had been fully carried out, there would have been 600,000*l.* of bills created upon that transaction. That I call over-trading.

787. Is that one of the houses that has stopped?—The house in London that gave the credit has stopped; the house in Manchester and that in Calcutta have not stopped.

788. Have you any objection to state the name of the house?—I would rather not; it was told me by the assignee of the estate, who said that the transaction came out in the letters which he had read.

789. You said that you consider the extensive import of provisions during the last year to have been the principal cause of the commercial distress?—I think so.

790. After some aids to supply the exports, it led to a drain of gold?—Yes.

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791. Do you know that the cause for that drain of gold had ceased to be in operation at the commencement of the month of October last?—No; I am not aware that it had ceased to be in operation; I believe that the cause of the drain of gold ceasing in the first instance was, because the parties in England could not discount the bills; and in the next place, they were afraid of parting with so much of their available means. I know that in one instance a considerable amount of bullion which had been shipped was in consequence of the distrust ordered on shore again; there was a large amount unshipped from on board the packet, and reloaded after being shipped.

792. Mr. *Chancellor of the Exchequer*.] Was not that in the Spring?—Very likely it was; it was at one of the periods of pressure.

793. Mr. *Disraeli*.] You said that you looked upon the affair of the Spring as merely an affair of pressure, not of panic?—I consider so.

794. That was the period when the shipment of gold to which you have just referred took place?—It appears to be so.

795. You said that the drain of gold was occasioned by a specific object; it was, in fact, to pay for the importation of provisions?—It was to discharge the balance of trade against this country; it was occasioned by large imports of provisions.

796. Do not you think that those large imports had ceased in the Autumn of last year?—Certainly.

797. Mr. *Chancellor of the Exchequer*.] At what period of the Autumn do you consider that the importations of corn ceased?—They are still going on; they do not come to the same extent that they did previously, but they are still coming.

798. Mr. *Disraeli*.] But the drain of gold which they had occasioned was not in active operation at the time when Her Majesty's Ministers issued the letter which put an end to the action of the Bank?—No, the drain of gold at that time had, in a great measure, ceased, principally, I believe, from the cause which I stated, that people could not get hold of the gold; that was the origin of the cessation of the export of gold.

799. The continental exchanges were in our favour in October?—The continental exchanges certainly had turned, but they had turned not so much from the balance of trade being in our favour, as that the parties who owed money to this country were obliged to send bullion to pay it; they were afraid of buying bills on this country; it was a forced matter.

800. That which you looked upon as the principal cause of the commercial distress had ceased to be in operation at the commencement of October?—It had ceased in some degree.

801. Had it ceased to this extent, that the importations did not affect the continental exchanges?—There was a scarcity of food on the continent during the greater part of the year, except in Russia; in France and some other parts of the continent there was a great scarcity of food.

802. But the cause to which you ascribe principally the commercial distress of last year, namely, the drain of gold, was not in operation at the commencement of October?—If the import of food had been only what it was in October, I do not think it would have caused the panic. The balance of trade between this country and America was against us, I believe, in October.

803. But the continental exchanges being in our favour, the cause to which you ascribe the principal influence upon the commercial distress having ceased to operate, namely, the drain of gold for a specific object, is it your opinion that the Bank of England, with more than 8,000,000*l.* of bullion in its possession, might not have interfered sooner, and very much alleviated that commercial distress?—I am not prepared to say that it would have been safe for the Bank to have interfered, unless the Government had given them the assurance which it did.

804. I do not mean that the Bank could have interfered without the permission of the Government; but do not you think that if the Bank could have interfered, it would have very much alleviated the commercial distress?—Yes, I think it would; that is what I stated before, that I thought the Government might have issued the letter a little earlier than it did. At that period I think the Government might have interfered.

805. You have stated that you think it would have been of advantage to the commercial world if the Bank could have interfered a little earlier; can you state

state how much earlier it would have been advantageous?—I am not prepared to say that.

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806. Do you think that when the drain of gold mainly occasioned by the importation of provisions had ceased, it would have been advantageous that the Bank should have interfered?—If the drain of gold had ceased from the balance of trade being in favour of this country, decidedly I should think it would. My own impression is, that the drain of gold ceased from the inability of parties to get hold of it, and that the import of specie into this country was caused a great deal by the high rate of interest prevalent in this country, and by the fear that all foreign houses had of taking bills, and therefore they sent gold instead of bills. I do not think that the balance of trade had turned in favour of this country.

807. Mr. Spooner.] At what time had it not turned?—I am speaking of the commencement of October.

808. Mr. Disraeli.] Nevertheless you are of opinion that the drain of gold had ceased?—That is a matter of statistical information; I think it had in some measure ceased; I am not prepared to say as soon as October, but it ceased from pressure.

809. Mr. T. Baring.] You said that the shipments of manufactures to the East Indies were carried on by drafts of the manufacturers upon agency houses, which they discounted?—That is one of the modes; there are some manufacturers who ship without any advances at all.

810. To any great extent?—No; I should say that the bulk of it was by obtaining facilities from commercial houses in this country in six months' bills.

811. Can you state what proportion of the export trade to India is done without advances?—I should think a small proportion.

812. Those six months' bills are discounted, are they not?—In some cases the manufacturer may keep them by him, but in the majority of cases he discounts them for the sake of raising money.

813. If there is an impossibility of discounting those bills, will it interfere with the export trade?—No doubt.

814. If discounts were at a very high rate, or if it were impossible to discount those bills, do you suppose that the export trade to India could be carried on to the same extent that it has been hitherto?—Certainly not.

815. Do you consider that kind of bills legitimate or illegitimate bills?—I consider that they are legitimate bills if the parties who accept the bills see their way to pay them in cash; but if it is an understood matter between the drawer and the acceptor that they are to be renewed till the proceeds of the shipments come round, I consider them illegitimate.

816. Your objection is to the practice of renewal?—Yes.

817. Not to the practice of long bills?—I do not care at what date the bill is drawn, because it bears upon the face of it the credit that is given; but it is, to a certain extent, a fraud upon the public when a man draws a bill, and neither the drawer nor the acceptor see their way to pay it except they renew it; a man does not know what he is taking; the question wholly hangs upon that.

818. You have stated, that in your belief none of the failures can be attributed to the great money pressure; that there were no solvent houses that failed?—The question resolves itself into a money matter; if there had been no money pressure, it is perfectly possible that houses not solvent, might have gone on.

819. It is your belief that no house that was otherwise solvent has failed on account of money pressure?—I do not recollect any at this moment; I do not recollect any that will pay 20s. in the pound, that have gone down.

820. Is that a mere impression upon your own mind, or have you looked into the circumstances, so as to give an opinion, which ought to influence the Committee in its judgment?—I have looked into the affairs of some houses upon which I had bills, and none of those were solvent; some of them were not worth half-a-crown in the pound: I was with the accountant of a house this morning, a large estate, to the amount of seven or eight hundred thousand pounds; the accountant said, "You will get nothing from Calcutta; perhaps you will get a shilling in the pound here."

821. Your previous answer did not apply only to East India houses; do you mean to say, that no house has stopped payment that was solvent?—It cannot be supposed that I know the affairs of all the houses that have stopped; I can merely say, that, as far as I am acquainted with them, no house has stopped that has

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been solvent; as regards East India houses, I am acquainted personally with the facts.

822. Would it not be desirable, that you should confine your opinion to East India houses with which you are acquainted, rather than have said generally, that no house has stopped that was solvent?—I guarded my opinion by saying, as far as my knowledge extended; I believe I said I was not aware of any house that was solvent, that has stopped.

823. During the last year there has been a great depreciation of property on account of the money pressure?—No doubt.

824. There has been, likewise, a great difficulty in converting what was available property into bank notes?—There has been, no doubt.

825. Cannot those two causes have caused the stoppage of a house which before that time was solvent?—No doubt; but as regards the East India trade, that will not explain it.

826. So that under those difficulties, a house that now pays 15s. in the pound might, without those causes, have been solvent?—No doubt.

827. You stated that you had no objection to any rate of interest being charged in such cases; do you suppose that the commerce of this country can go on satisfactorily paying eight or ten per cent. interest?—Not for any period; but an excessive rate of interest will in course of time correct itself.

828. Did not the rate fixed by the Government regulate in reality the rate of interest for discounts throughout the country?—At that period, no doubt.

829. Therefore, so far as the merchant relied upon discounts to meet his engagements, that high minimum rate of interest, if not justified by the occasion, was an infliction of loss upon the merchant?—If it was not justified by the occasion; it all hinges upon that. I think it was justified by the occasion.

830. You suppose that Lord John Russell and the Chancellor of the Exchequer were the best judges of what ought to be the minimum rate of interest?—As they were the parties who had to issue the letter, of course they must act according to the best information they possessed. The parties who have the power of issuing the letter must judge for themselves when the occasion arises, after getting the best information they can.

831. Do you think that it is more consistent to fix a minimum rate of interest than a maximum rate of interest?—I think in this case it was desirable; there was a great pressure for money from various sources. It was well known that many railway companies wanted a great deal of money. There is no doubt that if the minimum rate had been low, a great quantity of that facility which it was wished to obtain for the commercial community would have been absorbed by other parties.

832. Did not it raise the rate of discount in Liverpool?—Not at all; the rate of discount was above eight per cent. at the time.

833. It did not raise the rate from eight to nine per cent. in Liverpool?—I believe that for six months' bills, which I was unfortunately principally conversant with, the rate was 10 per cent. at that time; it was not raised.

834. Do you consider that it is a satisfactory state of things for the commercial body, when interest is at five per cent. in September, eight per cent. in November, and four per cent. in the following February?—Very unsatisfactory, no doubt.

835. No commerce can be carried on satisfactorily in that state of things?—Certainly not.

836. Mr. Cobden asked you whether the facilities given by the Bank did not produce a speculative spirit in the raw materials destined for manufacture, and you said that you did not perceive it?—There was a slight rise for a time, but it was very soon subsiding; there was no rise of any extent.

837. Do you suppose that it is any advantage to the manufacturer to depress by money pressure the price of the raw commodity when such a fall is not justified by the relative condition of supply and demand?—Certainly not, to depress it unduly. Of course, the manufacturer wishes to buy his raw material as cheap as he can, and if he is dependent upon an export demand, he can manufacture cheaper in consequence of the raw material being cheaper; but if the manufacturer can get a corresponding price for his manufactured goods, it does not signify to him what he pays.

838. If the price of cotton at Liverpool is depressed by money pressure here,

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is it likely to attract supplies from the United States?—It is likely to keep back supplies.

839. The price of cotton must be regulated by the supply and demand?—No doubt.

840. Is it your impression that there was a drain of gold from this country up to October last year?—That is my impression.

841. Are you not aware that the export of gold from this country ceased in the month of May?—There was a considerable quantity went to America after May.

842. Are you sure of that?—The captains of packets and different parties took out a considerable quantity; to what extent it went I am not prepared to say.

843. There is always a certain amount of gold taken out by emigrants?—Yes.

844. Do you mean to say that there was therefore an extra shipment of gold between May and October to the United States? Without having come prepared with these matters,—which I might have done if I had known these questions would be asked,—I should not like to commit myself; but I know that captains of ships were in the habit of taking their whole freight back in gold, instead of taking other matters, as they used to do.

845. You feel confident in saying that?—That is my impression; but I am not in the American trade.

846. Are you aware whether there were or were not large imports of gold from the continent of Europe between May and October into this country?—I am not prepared to say, because I have not prepared myself with those things.

847. With respect to the return of gold from the United States, have you formed any opinion whether that is a forced operation, or whether that is a legitimate effect of trade?—That is rather a difficult question to answer just now. By the last packet the exchanges were falling again on the other side.

848. Do you think it was from want of confidence, in fact a want of English credit, or was it because there was a real balance that must be settled in gold?—I believe there was a great want of English credit, and that has produced a considerable quantity of gold coming forward. At that period of the year there is very little produce coming forward from America; the cotton crop was kept back; there were no bills drawn against cotton, and what the extent of the balance of trade might be at that period I cannot say.

849. Can you tell why the cotton crop was kept back?—No doubt in a great measure from the low prices in this country.

850. Was it in any measure from the difficulty of negotiating bills?—It might have been for two or three weeks; but it did not last long. When the intelligence of those failures first reached America nobody would take a bill, except upon bank credit, and those houses charged what they liked for bills.

851. Mr. Glyn.] Do you remember what the rate of interest was in the week preceding the 23d of October, upon three months' bills; was it as high as eight or nine per cent.?—I have no doubt that it would be seven or eight per cent.; in fact, at that time there was no question as to the rate of interest. The matter was, whether you could get any body to discount the bill for you.

852. Mr. Alderman Thompson.] The sale and purchase of goods for money at the time almost entirely ceased?—Parties would not take bills, and therefore the sale and purchase of goods was only by cash; therefore parties who were in the habit of sending goods to India ceased; a six months' bill was not available; parties would not accept to any extent at a long date, and cash was not to be had, except in a few instances.

853. The common date of drafts between Calcutta and London is 10 months?—Yes.

854. Do not you think that that length of term gives great facility to over-trading?—Very great. We have a committee at Liverpool which is endeavouring to come to some arrangement to have it shortened.

855. Mr. Glyn.] Now that the transmission of the mail is so much expedited, is there any reason why the bills should be of so long a date?—There are reasons connected with the Calcutta trade which require a greater length of date than for some other trades; the period is not lessened within which the produce comes to this country.

856. But it does not take 10 months?—No, 10 months is longer than is necessary; it is occasionally the case that parties have got bills upon England, and
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then make advances upon opium and other things sent to China, the produce of which is invested again in tea, and that might require a bill at 10 months' date; that is the only reason that can be assigned for any date like 10 months.

857. Is it intended by the trade to bring it down to six months?—It is intended to shorten it to six months' sight; some wish to bring it to six months' date; six months' sight would bring it to about eight months' date, or seven and a half.

858. Mr. Copley.] In your opinion, would that be as efficient for the purposes of the trade as the present system?—Ten months' date is quite unnecessary; six months' sight is certainly amply sufficient; it would be equivalent to about seven months and a half date.

859. Mr. T. Baring.] Were not the Chamber of Commerce in Liverpool in favour of reducing it to four months' sight?—The resolution which passed was six months' sight, but I do not see any objection to four months; four months' sight would hardly in some cases be sufficient, but I do not see any great objection to it.

860. Mr. Spooner.] You stated that you thought that eight per cent. interest was not too much to charge?—Not at that period.

861. Are you aware of the way in which goods are generally paid for by the merchant to the small manufacturers in the manufacturing districts?—No, I am not of my own knowledge, but I believe they are generally settled for in cash at the end of a month, or something of that sort.

862. The fact being that they are generally paid for by the merchant's acceptance at two months, and which acceptance the manufacturer gets discounted, do not you suppose that raising the rate of interest upon such bills as those would be attended with very great inconvenience, and almost a stoppage of the trade amongst small manufacturers?—I do not think it was to be obviated at that time.

863. Would it not occasion great difficulty to the small manufacturers?—I think if they can get money, the rate of interest is not a consideration.

864. Not a consideration to meet their then existing engagements; but do you believe that they would enter into new engagements, and employ their men to work for them, if they were aware that they could not get their bills discounted without paying the rate of eight per cent.?—There is great difficulty in a man stopping his works, and throwing his men out of employment; if they supposed that the rate of interest would continue for any length of time, I do not think they would go on; but we naturally supposed that that rate of interest would not continue for any period.

865. Have you an idea what the average rate of profit of small manufacturers is?—No.

866. Suppose it should turn out that the average rate of profit which the small manufacturer gets is from eight to ten per cent., should you not think that raising the discount of those bills to eight per cent. would tend to stop his entering into new engagements?—It would depend upon how long he thought it would continue; if he thought it was only to continue for a short time, he would go on, because if he discharged his workmen he would have fresh workmen to hire, and the interest of his machinery, whatever it might be, would be going on, and depreciating in value.

867. If it turns out to be the fact, that a great many manufacturers did stop in consequence of their knowing the high rate of interest fixed, should you then say that there was no mischief done by fixing the minimum rate of interest at eight per cent.?—I never meant to say that it occasioned no inconvenience, but I consider that the benefit was greater than the inconvenience.

868. If it should turn out that a large body of manufacturers ceased their operations because they could not get their bills discounted under eight per cent., should you still entertain the same opinion?—Yes; I think the advantages were more than the disadvantages.

869. You say that there has been a great deal of over-trading going on since 1844?—In the trade in which I am more particularly engaged, I can speak to it certainly.

870. What is your opinion as to other trades?—I think the American trade has been pretty sound since that period.

871. Do you think that there has been a good deal of over-trading and speculation

lation since 1844?—I think so as regards the South American trade, and the West Coast trade.

872. If one of the objects of the Act of 1844 was to stop over-trading, and to stop the consequence of over-trading, the return of panic, should you say that the Act of 1844 has answered the object which the proposers of it had in view?—I do not believe that you can manufacture any Act that will prevent the necessity of mercantile prudence, or stop over-trading.

873. Do you think that the Act has answered the objects which the promoters of it had in view?—If they considered that the Act would stop over-trading, I certainly think it has not prevented over-trading.

874. [Sir Robert Peel.] Are you in favour of the repeal of those provisions of the Act of 1844, which restrict the issues of joint stock banks and country banks?—Certainly not.

875. You would adhere to those provisions?—Certainly.

876. Do you think it possible that, if there had been no such restrictions, the disposition to over-trade might have been increased?—Certainly.

877. If there had been no restrictions upon the issues of joint stock banks and country banks, the spirit of speculation, which you think has led to injurious consequences, might have been stimulated and encouraged by the absence of such restrictions?—I have no doubt about it.

878. And therefore, if the object of the Act of 1844 was, not to prevent speculation, but to prevent the evils of speculation from being aggravated by excessive paper issues, in that respect the object of the Act may have been answered?—I think the object of the Act has been answered; this pressure which we have had, has been felt principally by merchants and the mercantile community; except so far as men may have been thrown out of employment, we have had none of that distress that was occasioned by banks failing in 1825; this pressure has been the most grievous pressure I have ever known as regards the mercantile community, but other parties have suffered comparatively little from it; therefore I think the Act has protected other parties in the community.

879. Do not you think it is possible that repeated failures of houses, themselves insolvent, may injuriously affect the interest of solvent houses?—Clearly so.

880. You think that very few perfectly solvent houses have failed; still it is possible that if there have been some instances of the failure of solvent houses, that may have arisen, not from their misconduct, but from the indirect consequences of the misconduct of other houses which were in themselves insolvent?—Clearly.

881. Is not it possible that a house may be perfectly solvent, and yet may place its assets so far beyond its own control, that it may fail, although if it had sufficient time to realize its assets, it would be solvent?—Yes, I look upon it that has in some measure been the case with houses connected with the East India trade.

882. Take the case of a bank; a bank may place its assets out upon mortgage of land, and those assets may not therefore be available in a time of pressure; in one sense, that house is solvent if you give it time to realize its assets, but that house may not escape failure in a time of general alarm?—Yes, that may be the case, but the misfortune, as connected with those Mauritius and Calcutta houses, is that those estates do not partake of the nature of an English mortgage, which is always available, but an indigo factory is worth nothing unless it is worked. You have merely the block there; you have a mortgage upon it, and it may be worth something, provided you can work it and carry it on; but if you cannot work it, it is worth nothing; and the same thing is in some measure the case with regard to a sugar estate; unless you find the means of working it, it is worth nothing.

883. Are you in favour of maintaining the principle of the convertibility of promissory paper upon demand?—I think every one that I have come in contact with in Liverpool, with one or two exceptions, is in favour of maintaining convertibility; but as to the mode in which that is to be attained, there may be a good many different opinions.

884. By "convertibility" you understand the liability of parties who issue promissory paper to pay their notes upon demand?—Clearly.

885. You do not wish for any alteration of the Acts of 1819 and 1844 in that respect?—Certainly not.

886. [Mr. Stansfeld.] Do you believe that the point of convertibility established by the Act of 1819 was at the time a just one?—It depends a good deal upon

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what was the understanding when the Bank Restriction Act was passed; whether it was understood that you were to revert to specie payments as soon as you could do so fairly and properly.

887. Was the standard fixed in 1819 a just standard?—I am not prepared to say; I have no reason to suppose it otherwise.

888. Was it ever the standard in England before the year 1816?—That is more than I can tell you.

889. You do not know what the standard of England was up to the year 1816?—I really cannot state that.

890. Mr. Conley.] After the experience which the commercial and productive classes have had of various pressures that have occurred in the last 30 years, do you think that they have more dread of the non-convertibility of the note or of the repetition of those pressures?—I doubt very much whether it is a question that they ever consider at all.

891. Do you think that the position of the commercial body of this country is sounder or firmer than it was 25 years ago?—I was not in business even in 1825.

892. Do you think there are as many merchants of known substantial wealth now as there were when you first began business?—I think the wealth of the country generally has increased very materially since that period.

893. Speaking of individuals in Liverpool, what should you say?—There are more now than there were then, undoubtedly; the town has increased, and the place has increased enormously since that period; there is more wealth in Liverpool, a great many times told, than there was at that period.

894. Did not great losses take place in April amongst solvent houses by the high rate of discount they were obliged to pay?—I do not think the losses went to any great extent.

895. Was not there at one time an almost impossibility of getting discounts?—There was for a few weeks; but it is of very little consequence in a man's business what rate of discount he may have to pay for a few months; the amount in itself may be considerable, but it bears a very small proportion to the operations of the year; his discounts for one month are only a twelfth of his operations in the year, and whether he pays five per cent. or eight per cent. upon a six months' bill upon a twelfth of his operations will only make a difference of one-and-a-half per cent., and therefore it is merely a deduction of one-and-a-half per cent. upon the operations of one month. It amounts to nothing for a short period.

896. Suppose the rate of discount was 10 per cent.—At 10 per cent. it would be only two-and-a-half per cent.

897. It is that kind of loss which solvent houses have suffered?—No; solvent houses have suffered in this way: I perhaps hold 20,000*l.* worth of bad paper belonging to houses that have gone down; that is the thing to bring down a solvent house; I may be perfectly solvent, and I may see my way to carry on my business, but my remittances come forward in paper upon insolvent houses, and the whole of my ground is cut from under my feet.

898. Very few insolvencies took place in April and May?—Very few.

899. Then the losses occasioned to solvent houses in April and May were not caused by the insolvency of that period?—No.

900. You have spoken of the impossibility of getting notes; did the commercial body of Liverpool at all attempt any substitute for Bank of England notes in order to meet their engagements in October?—Not that I am aware of; I do not think they did in Liverpool; the banks might draw bills for one or two months, but I am not prepared to speak as to that.

901. You do not know whether the banker's drafts increased at that period?—Naturally, they would; I have no doubt that they did; it is the usual course, whenever money becomes tight, that the bankers will get their customers to take a bill upon London.

902. That acts as currency?—Yes; the man must go and re-discount that if he wants bank notes; but that is one mode which a bank has to relieve its customers.

903. That operates to the bank as a privilege of coining?—For a time; it is a species of payment that Jones, Lloyd & Company adopted from time immemorial when there was a period of pressure.

904. Then their drafts increase during a period of pressure?—It has always been the case when money is worth more than five per cent.

905. Those drafts form a substitute for bank notes?—They could not exactly do

do that, because bills have to be paid in bank notes; but they were the medium by which bank notes were more easily obtained.

906. Mr. Wilson.] You mean to say that the bankers lent their credit?—Yes.

907. They gave a bill which was more easily discounted than the bill which they took from the party?—Yes; they might take a four months' bill from a party, and, instead of giving cash, they gave a three months' bill of their own.

908. You cannot call that adding to the currency?—No, it forms a mode of payment.

909. Mr. Cayley.] Did Jones, Loyd & Company at Manchester draw drafts upon their house in London?—Yes.

910. Mr. Wilson.] The bills which Jones, Loyd & Company draw were for other bills which they discounted, or for credits which they gave to their customers?—I suppose so, if the customer has a credit.

911. Were those bills of any use till they were discounted?—Yes, you might use them for a variety of purposes; if a man thinks he cannot have the money, he might be glad to take a bill of Jones, Loyd & Company in payment of his debt, he would take one of Jones, Loyd & Company in preference to the other.

912. But before the bill can be applied to common purposes it must be discounted by some one?—No; there are certain payments which must be made in approved bills; that would be a bill which could not be refused in payment.

913. Then it would be discounted by a party in Liverpool?—The party in Liverpool must either discount it or pay it to his bankers, who would immediately get it discounted.

914. You stated that there has been a great deal of over-trading since 1844; you stated that during the years 1845 and 1846 there was a great deal of speculation; in what particular course did that speculation go?—Principally in the railways at that period.

915. Was there not during those two years an extraordinary absence in the commercial world of all speculation in commercial products generally?—I think there was; I do not think there was much speculation in commercial products.

916. In that respect that period was very much contradistinguished from the year 1825 and the year 1836?—No doubt, till 1837.

917. There was no sudden elevation of prices of commodities which hastened speculation in those two years?—I do not think there was.

918. There was no extraordinary inducement from unusual prices for increased importations of produce into this country?—No.

919. Towards the close of 1846, it was found to be the case that houses in Liverpool, Manchester, and the manufacturing districts generally, had very extensive money liabilities coming upon them; on what account did those liabilities chiefly arise?—I am not aware that they were much more than usual; it has not come before me.

920. Was not there a very large amount of business done on the Stock Exchange in railway shares in Liverpool and Manchester?—No doubt.

921. Was not there a large demand for money on railway securities?—No doubt.

922. Was not there a very high rate of interest paid on railway securities during 1846?—No doubt, in 1846 principally; but in 1846, also, upon railway securities.

923. Mr. Spooner.] Have you refreshed your memory upon that?—I am speaking of loans on railway shares.

924. Mr. Wilson.] The question refers not to railway bonds, but to money borrowed on railway shares?—The rate of interest on railway shares was not so high as it was during the latter part of 1847; it was not 10 per cent. in 1845, but it was never less than five per cent. upon the deposit of railway shares. At that period it was a high rate; it was double the rate that you would pay upon commercial bills.

925. It was relatively higher than the payment for any other purpose for which capital was employed?—No doubt.

926. Was there not a higher rate of interest paid for loans received upon the security of railway shares lodged with the lender than upon any other security?—No doubt.

927. The rate of five per cent., while good commercial bills could be discounted at three-and-a-half per cent.?—I believe you might always have had more than five per cent. even in 1845. I believe that commercial companies, for example, the Liverpool Fire and Life Office, who did a large business in these matters, never

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took less than five per cent.; I believe, in many instances, they were getting six or seven even at that time.

928. During the whole of the year 1846, up to the close of that year and before the beginning of 1847, was there the smallest appearance of commercial discredit, or speculation, as far as your experience goes?—No; the first discredit that was thrown, as far as our trade was concerned, was in April or May 1847; as far as my recollection serves me, it was in April or May 1847 that we experienced the first difficulty in discounting paper connected with first-class houses of a long date; it was said that they did not want long bills, and a variety of other circumstances of that kind; but that was the first difficulty that we had at all.

929. There was no appearance of over-trading up to that period?—Not as regards commercial transactions, except as regards the imports of corn.

930. You have stated, that as far as your knowledge goes, there has been no evidence of over-trading, except in the East India trade?—It is chiefly the East India trade with which I am acquainted; I do not know what there may have been in other trades.

931. Can you inform the Committee to what you attribute the failures which have taken place in the Mauritius houses and the East India houses, and at what period you date the causes of those failures?—The causes of the failures of Mauritius houses, many of them, are of very long date; I think the origin may be traced to a distant period: there is one of them, which there can be no doubt has been insolvent many years; I do not recollect when; and there is another of them, the first beginning of the insolvency of which may be traced to a good many mortgages, which they had to take many years ago, upon property in the Mauritius, which they took for bad debts; they were no doubt at the time extremely wealthy, but the fall in the price of the produce of those estates since that period has, no doubt, occasioned them enormous losses each year, particularly last year, when the fall in Mauritius sugar was very great indeed.

932. Are you aware what the price of Mauritius sugar was up to the month of April, when those houses were declared to be in a state of difficulty; was there any fall at that period?—Without the price currents I cannot say; I have no doubt they were in great difficulty long before that period.

933. Are you aware that the bonded price of sugar in this country during the first four months of last year was as high as it has been for many years past?—I cannot say without the price currents to look to.

934. You do not attribute the failures of the commercial houses that have taken place this year to the recent speculations of those houses?—Most of them have their origin at a much older date than that.

935. And you believe them to have been insolvent for a long period?—Some of them, no doubt.

936. The largest houses that have failed?—The largest houses that have failed may have been insolvent the last year or two, but not longer; one or two of them may have been insolvent for the last three or four years.

937. Speaking of those large East India and Mauritius houses, have you any reason to believe that the operation of the currency laws of this country has had the effect, during the last two years, of so altering their circumstances as to have led to their failure?—I do not think that the currency laws have led to their failure; what has led to the failure of Reid, Irving & Company, for instance, I have no doubt, is the depressed state of trade in the Mauritius a good many years.

938. Are you not aware that the Mauritius have been very rapidly increasing their produce during the last seven or eight years?—Yes; but it is a question whether they were not spending more money than they got for their produce; I believe their produce cost more than they got for it when it came home; but they had those large estates, and they were obliged to cultivate them.

939. You stated that in your opinion, with regard to the Act of 1844, it would be wise on the part of the Legislature to give either to the Bank or to the Government a discretionary power to suspend the operation of the Act when they might think proper; in that case, what would be the object of fixing a limit at all, if you at the same time made a regulation that it was to be suspended?—The object would be this, if you had no limit at all, of course the Act could never come into operation; but I conclude that if there was a discretion of that sort given to the Government, it would be with the understanding that they would not exercise it, except under circumstances of very severe pressure.

940. Then

940. Then it would be left to the discretion of the Government, or the discretion of the Bank?—Exactly.

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941. Do you think that the discretion of the Government would be more to be relied upon than the discretion of the Bank?—Yes; I think the Government would be more disinterested than the Bank in the matter; the Bank has to look after the interests of the proprietors and other matters; the Government would look to the interests of the country.

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942. Do you think that the Government are likely to be so well informed upon all circumstances which ought to influence the action of the Bank directors, as the Bank directors themselves?—It might be a joint action of the Government and the Bank.

943. Suppose they disagreed in opinion?—Then the Government ought to have control, certainly.

944. With regard to the rate of interest, is it your opinion that the Bank of England, or any other bank, has really any control whatever over the rate of interest?—There is no doubt that in times of pressure, practically, the Bank has considerable control over the rate of interest; in times like this they have none. When there is a great surplus of means, parties can get all they want from others, and the Bank ceases to have any control.

945. When there is a period of pressure, suppose the Bank were to offer money at four per cent. when it is worth eight per cent., what would the consequence of that be?—The consequence would be, that the Bank would speedily be drained of every thing they had; and that was the effect of their keeping down the rate of interest, that money out of doors was worth a great deal more than the Bank was charging for it.

946. Mr. Spooner.] When was that?—I cannot speak to the exact period, it was in 1847.

947. Mr. Wilson.] You look upon money like any other commodity; it must rise and fall in its value, according to its scarcity or abundance?—No doubt.

948. Any effort upon the part of the Bank to charge a high rate when money is abundant, would be futile, and any effort to charge a low rate when money is scarce, would lead to the Bank's funds being exhausted?—Yes, that is what occurred last year.

949. Whether the rate of interest is four per cent. or eight per cent., must be regulated by supply and demand, and not by any discretion on the part of the Bank?—If the Bank give money at a low rate, they are obliged at last to put up the rate, and to give money to nobody.

950. Ultimately the supply and demand must regulate the rate of interest?—There can be no doubt of that, but it is at the expense of the ruin of a vast number of people; whereas if the Bank had raised the rate of interest earlier, the probability is, that a great many people might have been saved.

951. Mr. Chancellor of the Exchequer.] Were those advances upon the railway securities for uncertain times, or for specific periods?—Always for specific periods; three months to six months would be the usual periods; some for one to two months, but always for a specific period.

952. Mr. Wilson.] In speaking of the India trade, you said that there was a large portion of that trade done by means of drafts drawn by shippers upon houses in India, which houses replaced those drafts by other drafts upon London houses?—You misunderstood me. The business is carried on by the manufacturer drawing bills upon the London house in the first instance, the goods being consigned to a house in India, who engage to return proceeds to that London house; that has been a very common practice.

953. There was one case which you mentioned?—That was an extraordinary case, but it is a case which came within my own knowledge.

954. Has it not been frequently the case in the East India trade, during the last three or four years, that the London house has drawn upon the India house?—No doubt it has.

955. And therefore the drafts so entered into have not represented *bona fide* transactions?—There are a great many drafts to and from India, which have been connected with transactions in Government bills here.

956. Do these represent commercial transactions?—I believe that most bills in their origin have represented commercial transactions; but unless the renewed draft could be said to represent an original transaction, it could hardly be called a commercial transaction. It is a very improper course of business, in

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my opinion; but the original bill is generally based upon a commercial transaction, and then the bill is renewed from time to time.

957. But it is not only renewed from time to time in that case, but there are drafts created upon it from India?—No doubt there are, for the purposes of renewing the other bills.

958. And thereby capital is created for the purpose of carrying on the India trade?—No doubt, and it does considerable harm.

959. Is there not a great loss arising out of those transactions from the exchanges themselves?—Not always; it depends a good deal upon the rate of exchange.

960. But if the exchange be favourable one way, it is not favourable the other way at the same time?—The bills are not drawn from England upon Calcutta, and from Calcutta upon England, at the same time.

961. Are they not drawn both ways?—They are drawn both ways.

962. But those bills are drawn without any reference to a profit upon the exchanges, but for the purpose of creating capital for carrying on the trade?—There have been cases of that kind.

963. Therefore to a prudent man looking at the transaction, it must appear in the shape of an ultimately unprofitable transaction?—No, it would not amount to that; the general nature of the business is, that parties in Manchester draw upon London, and then those bills are renewed; in some instances the bills are drawn upon the spot in London, and those bills are sold, and other bills bought with the proceeds, and those are remitted to India.

964. Mr. Spooner.] And sold in India?—Yes, the most common course is, that they are drawn in Manchester or Glasgow upon London, and then the bills are renewed from time to time till the proceeds come round.

965. Mr. Wilson.] Can you give the Committee information with reference to one point connected with the trade of India, upon which there is a good deal of difference of opinion; I am aware that it is common to purchase goods and to obtain advances from the East India Company and from private houses, by hypothecating against the goods the bill of lading of those goods; that is to say, that parties purchasing goods in India, ship the goods to this country, and obtain advances from the East India Company, by hypothecating the bills of lading to those goods; but is there much of the produce of India purchased on the credit of houses in India, without hypothecating the bills of lading?—A good deal of business has been so done; the practice of hypothecating bills of lading to the East India Company is very pernicious to the trade. In the usual course the produce ought to come as a return for manufactured goods sent out, in which case there is no occasion for bills at all; if a man's credit is not good enough to enable him to sell his bill in the open market with the produce attached to it, he should not go to the East India Company and hypothecate the bill; it gives rise to a great deal of speculation.

966. You mean the East India Company should not receive him?—No; a man with 1,000*l.* can go and buy a very large quantity of produce, to the extent of 5,000*l.* or 6,000*l.*; he hypothecates to the East India Company, and then speculates to the extent of 2,000*l.* or 3,000*l.* more, and the effect of that is, that goods come to a bad market in England, instead of coming to a good market. We have represented the evil of it to the East India Company; but they wanting to remit their money safely to London, say that they find that course beneficial to them, and therefore they pursue it, but it is exceedingly injurious to the trade.

967. Are you of opinion that a very large portion, or any portion, of the East India produce has been purchased with a view to meet the running obligations of the houses, rather than with a view to a legitimate profit upon the transaction?—I do not think that it has been purchased to meet the running obligations of the houses, but it enables parties to speculate to an extent that they would not otherwise do.

968. Supposing a house in Calcutta has drawn upon houses in London for large sums, and is under obligation to furnish means for the payment of those drafts which they have made upon London, do not they purchase produce in India, and by that means obtain bills which they remit to their house in London for the purpose of paying prior bills?—No, that would not give the facility you refer to;

if

if a man purchases produce, and hypothecates to the East India Company, he sells his bill to the East India Company.

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969. I am putting the case of a house in Calcutta purchasing produce upon their own credit, and drawing their own bills upon London in payment of the produce shipped, and sending that produce, with the bill of lading, to a house here, and that house carrying that bill of lading into Lombard-street for the purpose of obtaining advances!—You are speaking of a case where the produce has not been hypothecated; that may be done; I cannot say to what extent it is done, but that is open to all trades.

970. Supposing bills upon London were drawn for four months, instead of 10 months, would not the inducement almost entirely cease to enter into such transactions?—No doubt the inducement would be very small in that case.

971. At present, if a house in Calcutta purchases a cargo, and give their own bills upon their correspondent in London in payment, and they send the bills of lading home to this country, those bills of lading arrive here within six weeks, but their own bills are drawn upon their correspondents for 10 months; those bills of lading which are sent home immediately become available to them in Lombard-street for advances, and they have eight months' use of the money before their correspondents are called upon to pay!—That is so, and a most pernicious principle it is.

972. You attribute a very large portion of the difficulties of the East India trade to that class of transactions!—Yes; it would have been impossible for them to carry on business to the extent they have done without that class of transactions.

973. And the shortening the date of the bills would put the trade upon a better footing?—Yes, bills for four months would be much better than bills for 10 months.

974. That would oblige parties embarking in the trade to have their own bond *fidæ* capital?—Yes.

975. And in that case you would anticipate much less competition in the purchase of produce?—Yes.

976. And thereby a fair profit would be realized by those who did purchase?—Yes.

977. Therefore you consider that the unprofitable character of the East India trade has been owing to these speculative transactions?—Yes; the circumstance of houses wishing to import goods, and hypothecating the homeward produce, has led to the trade being carried to an extent that has occasioned a great loss, and which, under a sounder state of things, would not have been experienced.

978. Sir Robert Peel.] Is not the increased rapidity of communication between England and India an additional reason for shortening the date of bills?—I think the date of bills ought to be founded, if it is founded upon anything, upon the time in which the produce can arrive, and in which you can realize that produce so as to meet those bills; and therefore the speedy communication with India, overhead, would not form a ground for shortening the date of the bills, for the produce now takes as long a time to come as it did formerly; the theory is, that the produce ought to have time to arrive and to be sold before those bills become due; but if the bills of lading come, and the party has to pay for the transaction in a very short time, the party may have to meet the bill without anything to meet it with.

979. Mr. Wilson.] Twenty years ago, was there any such practice in London as pledging bills of lading?—Yes; I am afraid that it was always done, but it was not so much done formerly as it is now.

980. What would have been the character of houses at that time, which were known to pledge bills of lading?—Their character would have been very bad; but unfortunately those things are kept secret.

981. But there has been no secrecy about it in the last two years?—A house would never stand well if it were known to pledge its bills of lading before the goods arrived.

982. The discount brokers have known it; have they known it?—Yes; but they keep it secret. The discount broker looks to the security, and he says, "I am safe," and persons out of doors are not aware of what is going on; if we had known that those houses which have failed lately had been in the habit of pledging their bills of lading, we should not have trusted them a moment afterwards; we considered

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sidered that the partners in those houses were men of undoubted property; but if they had had property they would not have pledged their bills of lading.

983. Has it not been a notorious fact, for the last three or four years, that bill brokers have been in the habit of making advances upon bills of lading before the goods have arrived, and that these bills have constituted one of the largest classes of bills that they have discounted?—It is notorious; but had it been known with regard to any house that they were in the habit of pledging their bills of lading before the goods arrived, their credit would have been destroyed, for it would have been evident that the house was trading beyond its means, and that is a fact which, when it is known, will seriously damage the standing of any house.

984. As a practical merchant, you would say that when parties enter into such transactions for the mere sake of raising finances, they must cease to be profitable transactions?—Yes.

985. Mr. Spooner.] Did I understand you rightly, in answer to Mr. Wilson, to say, that the rate of interest charged by the Bank has no influence upon the market?—It has no influence in times like these, when you can discount bills at a lower rate than the Bank is willing to discount them at; but in times of great pressure, when all parties fly to the Bank as the last resource, as they did at the latter end of last year, it has a material effect.

986. The effect of the Bank fixing the minimum rate of interest at eight per cent., was to make that minimum the rate of interest throughout the kingdom?—I presume it was.

987. You say that if the Bank had raised its rate of interest sooner, it would have saved many from ruin; how would it have had that effect?—It would have checked the export of gold. Bills from America were discounted, and gold was thereby exported; if parties had had eight or ten per cent. to pay for the discounting of those bills, it would have rendered the transaction less profitable, and parties would not have taken bills to be discounted.

988. You say that in times like these which we have lately seen, when money is valuable, the rate of interest is regulated by the rate charged by the Bank, but that when money is very plentiful, it is not so; if the rate of interest is not regulated by the Bank rate when money is very plentiful, how could the Bank, by raising its rate of interest sooner than it did, have stopped the export of gold?—The rate of interest would in some measure have been regulated by the Bank, but if other parties than the Bank had been willing and had been determined to discount at a lower rate, if the Bank fixed their rate at four per cent., they would put down theirs at three-and-a-half, or if the Bank went down to three-and-a-half, they would go down to three.

989. Mr. Hudson.] You say that there were advances made upon railway shares; were those upon scrip or upon railway shares?—Upon both, but very few upon scrip; chiefly upon shares, as being safer.

990. Do you think that lending money upon railway shares is carried on to a large extent?—Yes, to a very large extent.

991. I believe three banks failed in Liverpool?—Yes, the Royal Bank, the Liverpool Banking Company, and the South Wales Bank; two of them have resumed since. The failure of the Royal Bank was attributable to a solitary transaction more than to anything else; I do not think the failure of either of them had to do with loans upon railway shares.

992. You spoke of Messrs. Jones Loyd & Company's bills, and you said that it was doubted whether they formed any important item in the circulation; are you not aware that those bills very frequently passed through 20 and 30 hands; that they were paid from A. to B., and from B. to C., and so on, and were a medium of circulation, just like bank notes in the manufacturing districts?—They do form a most important item of circulation, in all places where they pass from hand to hand, they have something to do with the circulation, of course.

993. I believe that if a person were to go to a banker with the title-deeds of his estate, however good they might be, and he wanted an advance for six months, pretty nearly the same rate of interest would be required upon an advance upon that property as upon an advance upon railway shares, provided the railway shares were shares of dividend paying lines?—I am not prepared to say: it is not a sound principle of banking for bankers to advance upon title-deeds.

994. But it is done, is it not?—It is done, but I think principally to secure a bad debt, not as a new transaction.

995. Is

995. Is it not very frequently done?—Not by commercial banks; it is done, I believe, by banks in agricultural districts. C. Turner, Esq.

996. Supposing the money were advanced, the same rate of interest would be charged in the one case as in the other, would it not?—In the first place, you cannot do it; the law would come into operation to prevent it; you cannot make an advance upon land at a higher rate of interest than five per cent. 15 February 1848.

997. Mr. Cayley.] Do bills of exchange form the principal medium of circulation in Lancashire?—Cotton has to be paid for in cash in 10 days, allowing the rate of interest, whatever it may be, for the credit. When the rate of interest is above five per cent., the parties send bankers' bills, Jones Lloyd & Co.'s, or whatever they may be; but whenever the rate of interest is under five per cent., they discount those bills at Manchester, or wherever it may be, and they bring the cash to Liverpool.

998. Then, whenever the rate of interest is high, bills of exchange are substituted for bank notes?—Yes.

999. And to all intents and purposes they form as much a part of the circulation as Bank of England notes did before?—A part of the circulation for certain purposes, but not for others; you cannot oblige men to take bills instead of bank notes.

1000. What is the smallest amount of a bill of exchange that is circulated?—I suppose it may be to any extent. I have seen bills of 100 l.

1001. Not below 100 l.?—I cannot say; but I think a bank would draw bills for any amount you like; there is no limit. If I went to the bank and said, I want to remit 50 l. to a friend, they would draw me a bill for that amount.

1002. Mr. Wilson.] Upon a cotton transaction?—Yes; bills are drawn for large amounts upon those; several hundred pounds.

1003. Mr. Cayley.] You have stated that, in your opinion, there are as many substantial men in Liverpool, merchants, as there were five and twenty years ago; would you say that the credit of the English merchants in foreign countries was as high now as it was five and twenty years ago?—I have no experience upon the matter; but, judging from general report, I should say that it was not.

1004. To what do you ascribe that?—I ascribe it to the recent failures. I think that it was as good two or three years ago as ever; but the credit of the country has been damaged exceedingly by the failures that have taken place. Houses that were conceived to be enormously wealthy, have now been shown to have been worth nothing; people have been so deceived in their estimate of persons whom they considered to be persons of great wealth, that the credit of the country has been seriously damaged.

1005. Do you consider that those failures are to be attributed to the impudence of individuals, or to the course of legislation?—Partly to both; but if you speak of the course of legislation, you should take in free trade, and a variety of other matters that we can hardly go into; it is a very wide question.

1006. Mr. Cobden.] Do you happen to remember when the Stock Exchange was first founded in Liverpool?—It was in the year 1836.

1007. You stated that the bad harvests and the construction of railways were the main causes of the late panic and monetary crisis; but do you not think that the speculation in railway shares, apart from the money that has been invested in the bad *flat* construction of railways, has had a good deal to do with it?—I do not see that it has.

1008. Have not a good many persons in Liverpool been dealers in shares, on the Stock Exchange there, for the purpose of making a profit upon the rise and fall, without any view to a permanent investment?—No doubt they have.

1009. You do not remember the crisis of 1825?—I remember it; but I was not in business at the time.

1010. You are probably aware that at the time of that crisis the speculation in foreign and other securities was confined very much to London?—I cannot say how that was.

1011. Has it ever occurred to you, that spreading Stock Exchanges over all the provincial towns of any magnitude, and the great speculation going on in railway shares, have had a great tendency to produce this disaster among the commercial community?—They have occasioned great gambling transactions and great loss.

1012. Must not that have a tendency to spread the evil among a lower grade of mercantile men, and among the community generally, by bringing it to their

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own does?—Yes; it gave facilities to persons to buy and sell shares, which they could not have done formerly, except by coming to London.

1013. Mr. Hudson.] You were asked a question with regard to the speculation that has taken place in railway shares; but is not that equally applicable to the funds, and every thing else?—Yes, and to any speculation by which people can lose money.

1014. You say that you do not recollect 1825 but that you can draw a broad distinction between the nature of the speculations in 1825, and the speculations of railways in 1846?—Yes.

1015. Mr. Cayley.] Would you attribute the fact of commercial men embarking in railways to the circumstance of commercial profits having diminished of late years?—It is impossible to say what induces men to embark in speculation; the rate of interest was low, and commercial profits were low, and railway shares began to rise, which led many into gambling transactions with regard to them; but it is difficult to say what induces men to enter into those speculations.

1016. But there was a commercial pressure in 1820, and another in 1825 and 1826, and another in 1836, and another in 1839; would not that accumulation of periodical pressures rather shake the purpose of commercial men to embark their capital in commercial undertakings?—In nine or ten years you get a new race of commercial men; men who have not known 1825; and the probability is, that a man who is a prudent man in the first instance, hears of large profits being made on railways, till at last even the most prudent begin to think that they have been too cautious; they can hardly help being influenced by those around them; at first they stand aloof, but at last they are drawn into the same vortex, and are persuaded out of their own reason.

1017. You would not attribute the disposition of commercial men to embark in railways at all, to the fact of their being deterred by the events of 1825 and 1836, from embarking in commerce?—No; at first a prudent man, when he hears of one of these railway speculations, says, "It is a bad thing, and I will not go into it;" but when he finds himself deceived in his first opinion, he is induced to go into it, on the expectation that things will rise still higher; and so he goes on, from one step to another.

1018. Lord George Bentinck.] You stated that the fact which you mentioned respecting a London house having correspondents in Glasgow and Calcutta, and drawing bills between them to the amount of 600,000*l.*, you had from the assignee; are you prepared to state positively that this is a fact?—I am prepared to state positively that I had it from the trade assignee, and that he stated that he had it from the letters and correspondence of the house; I did not say that it had been carried out, but that it was an arrangement.

1019. Was this a transaction of 1847?—No, of 1846; I adduced it as an instance of the way in which the over-trading with India had been carried on of late years.

1020. You said that the present pressure upon merchants and the mercantile community was the worst ever known, but that it had not extended further; has there been no pressure upon the Manchester operatives; are you not aware that there have been about 10,000 operatives in Manchester thrown out of employment?—Yes; but there have been more men out of employment in Manchester at periods within my recollection than at the present time.

1021. In what year?—I do not recollect.

1022. Were they out of employment for so long a period as they have been out of employment at this present time?—No; I do not know.

1023. Have you heard of the colliers and miners of Staffordshire being recently thrown out of employment in consequence of the pressure upon the money market?—Yes.

1024. You think nothing of them?—I do not say that I think nothing of them; but I do not think the pressure has been so severe upon them as upon the commercial class; I think it has borne much harder upon the commercial class than upon any other.

1025. Have you heard of 50,000 railway labourers being thrown out of employment in the course of last autumn, by the pressure on the money market?—Yes.

1026. You

1026. You have spoken of the Mauritius; are you aware that the inhabitants of the Mauritius would be all starving at this moment, if they were not fed by Government?—So I have heard; I am not aware; I am speaking of the commercial classes in this country.

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1027. What do you think would have been the state of the mills in Manchester, if the Chancellor of the Exchequer and Lord John Russell had not addressed the letter to the Bank of England, requiring them to disregard the Bank Charter Restriction Act?—I am not quite sure that the Manchester people were very anxious for the money pressure to be taken off; the impression in the manufacturing districts of Lancashire appeared to be, that the money pressure was in their favour, because it brought down the price of the raw material.

1028. Mr. Alderman Thompson.] Were not the mills working short time?—Yes.

1029. And many of them stopped?—Yes.

1030. Have you heard from any persons in Lancashire that, in their opinion, there would not have been a mill working in Lancashire, if that pressure had continued a week longer?—No; I have not heard that; the feeling was a feeling of disappointment in some instances in Manchester when Government wrote that letter to the Bank; there was an impression of some parties in Manchester, that the mercantile distress did them good, in enabling them to get the raw material cheaper.

1031. If they had had no bank notes, and no credit, what would have been their condition?—I do not agree with them; but there was that feeling of disappointment in some quarters.

1032. Lord George Bantick.] The result of the then state of things was, that there were from 2,000 to 10,000 operatives out of employment in Manchester alone, and altogether 20,000 on short time?—I am not acquainted with what you are asking me.

1033. Do you live in Liverpool?—Yes.

1034. You are within 30 miles of Manchester, and have never heard of that fact?—I am not aware of the extent of it, or of the details you are speaking of; that many mills stopped, and that there was great distress, I know, but the numbers I cannot speak to.

1035. You say that this distress has only affected the mercantile community?—I said it was more severe upon the commercial community.

1036. I understood you to say that it was the worst pressure ever known as regards the merchants and the mercantile community, but that it had not extended to other classes?—No; what I said was, that it was not so severe on other classes, and I do not think it was; the pressure in 1825 extended to other classes than the commercial class; from the banks breaking, and other causes, it extended to other classes.

1037. Do not you think that the pressure is now spreading from merchants to the shopkeepers and labourers?—Yes, I think they are feeling it now to an extent they did not in September and October.

1038. It is the consequence of what took place in September and October?—It is the consequence of a prostration of trade which is being felt now in railways and every thing else.

1039. You were asked by Mr. Cobden, whether the speculations of 1825 in shares and companies were not principally restricted to London; are not the gambling speculations of Liverpool chiefly in cotton?—I am not aware of the extent of the speculations in cotton.

1040. I am speaking of 1825?—I was not in Liverpool in 1825; I did not go there until 1829 or 1830.

Veneris, 18^a die Februarii, 1848.

MEMBERS PRESENT.

Sir Robert Peel.
Mr. Cobden.
Sir William Clay.
Mr. Beckett.
Mr. Thorsley.
Mr. Spooner.
Mr. T. Baring.
Mr. Leboachere.

Mr. Hume.
Sir James Graham.
Mr. Cayley.
Mr. Alderman Thompson.
Mr. Hudson.
Mr. Darnell.
Mr. Cardwell.

THE RIGHT HON. F. T. BARING, IN THE CHAIR.

Thomas Clifton Salt, Esq., Examined.

T. C. Salt, Esq.

1041. Chairman.] YOU live at Birmingham?—Yes.

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1042. In what line of business are you?—A lamp manufacturer, and general brass founder.

1043. How long have you been engaged in business at Birmingham?—Upwards of thirty years.

1044. Will you have the goodness to state to the Committee what you consider the present state of the trade of Birmingham to be?—I never knew the trade of Birmingham in so depressed a condition as it is now; all trades are bad at Birmingham, the East India trade, West India trade, the Canada trade, and the Home trade; with one exception, and that is in the agricultural districts, there is still some business; it is the only exception to the universal depression, and I might say the almost cessation of business.

1045. Is the American trade bad?—The American trade is almost suspended at present; it is very bad indeed; I know no exception to the universal rule.

1046. Do you remember the crisis of 1825?—I do, perfectly well.

1047. Were you in business then?—I was.

1048. Do you consider that this is a severer crisis in Birmingham than that in 1825 was?—I consider the general depression now to be greater than it was in 1825; it is more general than it was in 1825: as regards the Canada trade, I would give the Committee an example; I know one article which is largely exported to Canada, it is iron chain, for traces and other matters; I know the individuals who chiefly make it, and one of the principal of them told me that his orders from Canada on the average from one house were 2,000*l.* for a season, and that the amount of his orders this season had been only 40*l.*; the Canada trade generally employs me from January to March pretty fully, but I have not this year had one solitary order from Canada: and I would mention in illustration of the general depression of trade another fact. I had an opportunity of meeting some metal dealers, and dealers in copper and zinc, and I asked them, as they were all together, what the falling off in the demand for metal was, and they stated it to be, taking one with another on the average, a falling off of two-thirds; and I asked them if they had ever known the like before, and they said, that on no occasion in their memory had they ever known such a falling off before; but I wish the account of the falling off of trade to be qualified by the exception I made before of the business in the agricultural districts.

1049. In your own line of business, has it made any great difference in the employment of the persons whom you employ in your business?—The amount of wages I pay is diminished more than two-thirds; and I believe that that diminution is about the average of the diminution in Birmingham.

1050. And

1050. Are you speaking of the time of the year which is usually a flat time of year in Birmingham?—No; it is usually with me a time when I have many orders, and I generally make an increase of my business; but at this time, instead of an increase, I have had a falling off of two-thirds; I pay two-thirds less wages than I did.

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1051. Is your trade, as far as your London correspondents go, at a stand-still; by London, I mean, has the demand of shopkeepers in London who sell your articles been affected by the distress?—So much so, that I called on one of my late customers, and I reproached him, he being a particular friend of mine, with not sending me his orders; he said, "I have only bought away from you six solitary lamps, and here they are; I have not sold one of them;" and he showed me the six lamps he had bought.

1052. What is the state of the labouring population of Birmingham at the present time?—There are a vast number entirely out of employment, and they press upon the workhouse; but up to the present time the workhouse is far from being a fair criterion of the condition of the workmen; workmen who have been used to earn from 20s. to 30s. a week, never go to the workhouse till they are in an absolute condition of starvation. Prior to going to the workhouse, they sell or pledge at the pawn-shop every thing they have; and they have another resource after that, which they are now, to my certain knowledge, availing themselves of. After they have pledged their goods, they sell the pledge tickets where they can sell them, and they are now come very much to that second resource; the condition of the working classes in Birmingham is absolutely unbearable.

1053. What do you consider to be the causes of the commercial distress?—I myself attribute the distress wholly and entirely to the Bills of 1819 and 1844; I would qualify that by saying, that from the time of the passing of those Bills, there have been accidental circumstances giving peculiar features to the distress, and it has generally been the custom to say that those circumstances were the cause of the distress. I will mention a few: originally it was the passage from peace to war; over-production, over-trading, over-population, and a thousand other things; now I would for a moment say, that if the Bill were such that it gave way upon every one of those accidents which it has done, whether it was over-trading, or speculation, or whatever it was, it induces me to think that in every case, however those accidents may have had an influence, the great fault is in the Bill. I would wish to say another thing, and that is, that the parties who have pressed forward that Bill have always done so with extreme terror, slowly and gradually, as if they had an instinctive knowledge that they were doing mischief; and I would mention another peculiar thing, that whenever the mischief has occurred, those very parties have never had an idea of remedy in their minds, or at least never exhibited any idea except that of relaxing or doing away with the Bill; therefore we have the fact that the Bill has given way on every occasion, and on every occasion has added to the partial and accidental distress, the universal distress of a general monetary derangement; and we never had any remedy whatever proposed, hinted at, or carried into effect by the advocates for the Bill, except the relaxation or doing away with that Bill; and therefore I think that I have a right to conclude, and I have concluded, that it is to that Bill we must attribute the distress.

1054. Do you consider that there was any over-speculation which either partly or wholly caused this distress?—I am decidedly of opinion that there has been no over-speculation in any article whatever; not only has there been no over-speculation in the import of corn, but there has been no over-speculation whatever in railways. In my opinion the importation of food was not more than the national safety required; and as regards the speculation in railways, or in any other matter, it never went to a greater extent than to employ the workmen in national enterprises of great value. We must have so employed our workmen, or they must have been driven to the workhouse. Now the workmen, instead of being driven to the workhouse, and living on the nation, have been employed in most valuable and useful speculations. I, therefore, am decidedly of opinion that there has been no over-speculation in any matter. I wish to distinguish between railway enterprises and shares, in which there has been a good deal of gambling, but which has nothing whatever to do with trade.

1055. With regard to corn, am I to understand you to say, that you think the
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failure of the potato crop has had nothing to do with the distress?—No; the failure of the harvest is always a cause of distress, but the cause of distress from the failure of the harvest, or the dispensation of Providence, has been light and trifling compared with the monetary distress, which has pressed generally on every department of trade, and has been exceedingly heavy, and indeed unhearmable.

1056. You would say, then, that there has been no over-speculation, and that, though the failure of the potato crop, to a certain extent, contributed to the distress, it was not the main cause of that distress!—No; inasmuch as importation supplied the deficiency of corn, and if we had maintained an abundant monetary system, there would have been abundant employment for the labourer, and the labourer would have partaken of the food imported, and would not either have been driven to the workhouse or have been starved. The national loss, according to all accounts, would not then have been more than thirty or forty millions, and the loss of thirty or forty millions to this wealthy nation would have been a loss certainly in no degree perceptible or afflictive.

1057. Then you consider the main cause to have been the working of the monetary system!—I do, inasmuch as it had this effect in the purchase of food abroad: it caused the exportation of the basis of our currency, which is very narrow, and thus caused the derangement of the enormous superstructure of the currency, which has scarcely any limits that can be defined. It had the effect, therefore, of largely raising the value of money, and making money scarce and dear on the one hand, and breaking down the value of all property to the amount of 20 per cent., causing thereby a monetary national loss of a thousand million sterling; and on the other hand, it had this effect, it entirely stopped at the same time the employment of labour; so that while it destroyed national wealth on the one hand, it stopped the creation of national wealth on the other; and while the loss from the harvest was thirty millions, the loss from the monetary derangement was probably a thousand millions. I would add one word more, which is, that the monetary derangement literally broke up the channels of trade; it destroyed houses whose wealth had grown up with their experience; and the effect did not cease there, but while the losses of those houses that failed were exhibited to the public, it could not by any possibility do otherwise than half ruin the houses that continued to stand; they were suffering from the same causes. First of all, it has ruined those who have failed; those channels of trade are broken up, and those houses that stand are terrified and alarmed, and injured, and dare not with such an exceedingly fluctuating circulation embark in fresh speculations. In former times, after those panics, trade never revived within about six or eight years; we have had a depression, on the average, after every panic, of five years, and trade never revived in its ordinary modes; men were afraid of embarking in business as usual, till at last the money of the country having been lying so long perfectly unproductive in the market, some one proposes a joint stock company, and parties who dare not venture into the regular channels of business, venture to take a few shares in it; the shares rise in value upon that; other joint stock companies are formed, and money is brought into circulation, and then gradually business resumes its course; but under the present monetary system, business has never resumed its course for three years without the monetary system breaking up. Parties who have been tempted by seeing money low in the money market, at four per cent., three per cent., and two per cent., have taken it up at three or at two per cent., to embark in useful speculations for the employment of industry, and as soon as they have gone into those speculations, the monetary system breaks up, and they are suddenly obliged to go into the market to sell, and they lose their property when money is scarce and dear, and when interest is at eight or nine per cent. The Government have invariably,—every Chancellor of the Exchequer, without any exception, from the time of Mr. Robinson downwards, has assured the nation that it was in a most prosperous state, and that they need have no fear; this assurance has been constantly given, and within a few months, when the breaking up has come, the Government have invariably turned round upon persons who have embarked in business, and accused those very men of wild speculations.

1058. What are the objections which you have to the Bills of 1819 and 1844?—The first objection I have to the Bill of 1819 is, that it purports, under the present condition of commercial civilisation and expansion, to return to the standard of Queen Elizabeth; a standard considered so imperfect in her day, that she

she altered it three times during her reign; and in the next place, it does not even return to the standard of Queen Elizabeth, but it has established, in the present condition of the country, a standard infinitely worse, inasmuch as it has none of those guards which it had in the days of Queen Elizabeth. In the first place, in the days of Queen Elizabeth there was a large influx of gold from South America; there is no corresponding influx of gold now: in her days there was no large expansion of trade or of population; there is now an enormous expansion of trade and of population: in her days it was forbidden, by penal laws, to export or melt the gold; now there is free permission either to export or melt the gold, which is the basis of the currency: in her days there was not so large a superstructure, but there was a free use of credit; but in the present day a regular war has been made by the Government on credit; they have made war on all customary modes and facilities of exchange for cancelling debts; they have made war on other circulations, but they have given no substitute for that circulation. There are many other matters which I might mention as regards the time of Queen Elizabeth. There is another objection that we have to the Bill; the price of gold was fixed first, and then many strange clauses and laws were superadded, which made gold much more necessary, and lifted up the value of gold largely after the price was fixed; there is another objection that I have to the Bill.

1059. To which Bill?—To both the Bill of 1819 and the Bill of 1844. I identify them. It allows no extension of money facilities, inasmuch as it strikes with disability English property for which you cannot obtain gold, or obtain monetary assistance or cancel monetary obligations. If English land, unencumbered, be tendered to the Bank of England, no advance can be made upon it, and no advance can be made upon goods of any kind; and advances made upon English bills, which are the representation of English property, in times of any pressure, are absolutely refused, and therefore there is a value given to gold by giving a monopoly to it, and affixing a disability upon English property, or the representative of English property, to obtain money facilities. There is another objection that I have to the Bill, which is, that it places the whole of the enormous paper superstructure which we have in England on the narrowest and most shifting basis; and another important objection I have to the Bill is, that so fixing the price of gold destroys all early warning of the depreciation of money until the gold has disappeared, and the whole of the paper superstructure crumbles and collapses. I would explain that: if the price of gold had been left perfectly free, and you had merely used gold as a standard,—I will call the standard 4*l.* an ounce, in round numbers,—then, if the gold rose to 4*l.* 1*s.* an ounce, instant notice would be given that the paper was depreciated; whereas now, with a fixed price, you have no notice whatever except in the rise of the prices of goods; and all men are in the habit of considering a gentle rise in the price of goods to be a mark of prosperity, and there is a belief in that prosperity till the gold disappears; and the Bill enacts that in proportion as the gold disappears the paper shall disappear also. Men have been induced by the higher price of goods to embark in business and to hold goods, or to purchase goods; the gold disappears, and in a moment they are obliged in their necessities to sell the goods, at the time there is no money in the market to purchase them. I have another objection to the Bill, which is, that it is a false Bill. It promises a gold basis, and it does not give a gold basis, but it gives a basis of fourteen millions of inconvertible paper. It then gives us gold built upon that, and then it gives us another paper system upon the top of that. Now that fourteen millions of base acts perpetually in this way: it depreciates the value of money, by making it more abundant than it would be with the gold currency; it puts, therefore, the gold and paper money in perpetual conflict. I have another objection to the Bill; the Bill attempts to make metallic money and paper money circulate together. Now, it has been often affirmed, and facts have proved it, that paper money and metallic money cannot circulate together; it is contrary to the laws of nature that they should circulate together for any length of time without producing a convulsion, without separating. I will explain to the Committee the exact process by which that happens. The gold coin has two distinct, and, if I might so term them, antagonistic qualities. It has one quality of coin or money, which merely cancels debt, and it has another quality of merchandise, which consists in the metal of which it is made. Now, whenever you add paper money to the gold money, you make money more abundant—you lower the value of the money, you depreciate the money; but the very fact of your depreciating the money raises the value of all goods, and it raises the value

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value of all merchandize, and also raises the value of that part of the coin which is merchandize or gold; and, invariably, the gold is melted and becomes merchandize, because it pays better as merchandize than as coin; that is the reason why coin always disappears from under paper, and of the fact that paper money and gold money never have circulated together in any country, advanced in commercial civilisation, for any length of time; and it is also a fact that the convulsions are great in proportion to the advancement of those countries in commercial civilisation. We see, therefore, that the two countries which are most advanced in commercial civilisation, namely, England and America, are subject to those frightful panics. We see France, with her commercial civilisation, crippled from her adherence to metallic money alone. We see her now adopting paper money in part, and fast following in the wake of England and America in her commercial convulsions; we see it, in fact, all over the world. There are only three alternatives; the one, having a mixed money with all these destructive convulsions; another, having a metallic money and commercial civilisation crippled; and the third, having a paper money and being commercial giants.

1060. Will you proceed with the defects of the Bill?—There is another element which makes the present system infinitely more dangerous now than it has been at any former period; the vast accumulations in various countries of money stocks, such as shares and public securities, together with the facilities of communication by means of share lists and so forth, so that any accidental speculation or variation in these values would instantly turn the exchange; that is an additional objection to the Bill, under the present state of things: these are my chief objections to the Bill as it now stands.

1061. What would you propose for the purpose of placing the monetary system in such a position as would satisfy you?—The first thing would be to have a standard which should not at the same time be a coin; it then affords a point of comparison; whereas now you have no point of comparison as to the drifting away of your money from its real value; at present, gold is at the same time your standard and your coin. I show you that your money is constantly fluctuating, that you have never kept up to one standard; that paper-money has always alloyed it down, till at last the gold was melted and taken into merchandize: if you choose to take gold as a standard, you must cease to have it as a coin; supposing, then, gold to be the standard, and that standard to be 4*l.* to the ounce, if at any time a 4*l.* note would not purchase an ounce of gold, but it required 4*l.* and 6*d.* to purchase an ounce of gold, you would have an instant warning at the commencement of the depreciation of money, and you would have a constant money, a constant standard.

1062. How do you propose to form your standard?—I should say that gold was a bad standard, as it is so liable to be removed from one country to another, and so liable to speculative influence; any two or three individuals might combine to cause a very great variation in the price of so narrow a basis.

1063. What would you take as the standard?—That is a mere detail, which would require consideration; but I should think it would be preferable to take the average price of two or three, or more articles, not influenced by the accident of harvest; the broader the basis the better; if you took metals generally, and took their average price, you would have a certain standard, and if that price rose, it would be an instant warning that your paper was depreciating, and that you were doing wrong to the creditor; if those prices fell generally, it would be an instant warning that our money was rising in value, and that you were doing an injury to the debtor and the producer, I should say that we have, under the present system, drifted so far away from what is right, that it would be necessary, in the first instance, to ascertain what the rate of the standard should be; I should propose, therefore, to give, preliminarily, a Bank Restriction Act; it would then be necessary to issue money until you had raised goods to a remunerative level, at which they do not now stand.

1064. What would be the first act that you would do?—I would pass a temporary Bank Restriction Act.

1065. When you say "temporary," up to what time would it last?—Until you had restored prices, and in restoring prices had restored the prosperity of the country; and you would then ascertain at what point you had a demand for the labour of every able-bodied man in England; such has been the case; there has been full demand for labour in this country whenever that Bill has been relaxed, and such would be the case again; and when you had ascertained the range of price

price that would be so remunerative as to call into full operation the labour of every able-bodied man in England, that would be the right standard; it would be a prosperity standard, and not, as the present is, a standard of misery and enormous distress and ruin.

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1066. Am I right in understanding that you would increase your issues till you got to that state of prosperity?—Yes; and then I would take the level of the prices, which were prosperity prices, and I would keep the standard at that range of prices, and in that case you could never have any distress in England.

1067. When you had got to that position, you would then make your note equal to a certain quantity of the different metals which were your standard?—Yes, it might be one metal, or it might be more metals than one; as it has been the custom to take gold, we will suppose that gold has risen above 4*l.* an ounce.

1068. Do you mean to say that that is likely, under the state of things which you contemplate?—I do not think it would rise to that extent.

1069. What do you suppose would be the price of gold when you came to that state of prosperity?—I think it would be 3*l.* 17*s.* 10½*d.*, or under that; and I will state why I do not think gold would rise beyond that point; under that system all demand from the Mint would cease; the present price of gold is purely artificial; it is not the mere amount of labour contained in the gold which gives the value, but the value of gold is maintained at a purely artificial rate by the enormous demand of the Mint, which the monopoly of gold as a legal tender gives it.

1070. Then you think the price would be 3*l.* 17*s.* 10½*d.*?—I do not think it would alter at all; but money must, at any rate, be issued till prices rise to prosperity level, and all English labourers are employed in producing wealth; on the one hand, keeping an amount of money, which is the organ and the sole organ of distribution, sufficient to distribute all this vast production, and then I would take that range of price and keep it there.

1071. There you would fix the standard?—Yes.

1072. What would be your next step?—To take care that the paper money was virtually perfectly convertible; the paper money, according to the ordinary sense and understanding, I should propose not to be convertible into gold at the particular bank from which it issued, at the will of the holder. I would suppose the quantity of paper money to be such as that it would always keep the standard up to that level, and never raise it above, and never let it fall below, and then it would be virtually convertible.

1073. You would do that by varying the amount of notes in circulation?—The amount of legal tender notes. It has been a popular delusion that there was no intrinsic value in a mere legal tender note; I would wish to mention this matter, that there is an intrinsic value, or rather a value of enactment, in the legal tender note; I would illustrate it by showing that the value of wheat consists in its ministering to the necessities of hunger, and that value varies always in proportion to the abundance or scarcity of the wheat. The law which makes a piece of paper a legal tender by which you may cancel a debt, makes it minister to a necessity perfectly as stern as the human necessity of hunger. That piece of paper would, therefore, have, to all men who have a debt either in existence or in contemplation, a real, positive and absolute value, as ministering to their necessities, and you consequently come to the simple law, that the value varies in proportion to the abundance or scarcity of that legal tender. You therefore have a perfect means of maintaining the value of money in any degree, although it were not convertible by law into gold at a particular bank; it would be convertible, in fact, into every thing, and also into gold.

1074. Returning to this plan of circulation, how would you propose to keep it in the position in which you think it advisable that it should be kept?—The standard would indicate that.

1075. In whose hands would be the management of the circulation?—That is a matter of detail; I think it would be proper that it should be in the hands of a commission appointed by the House of Commons or the Government.

1076. The notes would be Government notes?—National notes.

1077. There would be no other but national notes?—No.

1078. You would place it in the hands of some commission, either a Parliamentary or a Government commission?—Yes, and upon them the duty should be devolved of maintaining the standard, in order to do justice to the creditor, and of not letting the standard rise in value, in order that justice might be done

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to the debtor, and that fixity and security might be given to all commercial transactions.

1079. When you had got to that price which you thought advisable, you would then stop and fix the standard there?—Yes; I would fix it at what I term prosperity prices. I beg leave to make one addition to my remarks upon the present state of the monetary system; the present monetary system goes upon one very false principle; it provides that the creditor shall have his ounce of gold, let the value of that ounce of gold be what it may, but it in no way provides for either the maintenance of the value of produce or of the wages of labour; and, indeed, we have seen that there has been an earnest recommendation given by the Government to the country generally, to tradesmen, manufacturers, railway undertakers, &c., to diminish their operations. Now, I beg leave to record my strong objection to that on the part of the working classes; diminishing the operations of trade, is pronouncing upon them a sentence of death or of the workhouse; railway contracts and undertakings in business cannot be diminished without throwing the labourers out of employment, and throwing the labourers out of employment means depriving them of the means of purchasing your dear food; I maintain this, because it is a consequence of the Bill on the one hand, and because I have seen that recommendation given in every direction from high quarters; and I wish to show, that it is an absolute denunciation against that most useful class, and that class which ought, instead of being denounced, to have the most tender care shown to them; it is pronouncing a sentence of death or of the workhouse upon that class.

1080. Do you attribute any part of the commercial difficulties to the conduct of the Bank during the last year?—Not in the least; I believe the Bank is bound and fettered by the law, and that, though the Bank was the direct agent, she acted merely as the agent of the law; I attribute, therefore, the evils which have come upon us, not to the Bank, but to the law.

1081. With respect to the conduct of Government in issuing the letter to the Bank, what is your opinion upon that?—First of all, if there were a necessity for issuing that letter, I have already contended that it is the law which has made that necessity; but the way in which that letter was issued was, in my opinion, another error, as great as the error in the law itself, and it was a cruel error; it was an error in these two respects: the Government advised the step to be taken only as a temporary measure, but they went on to order that the rate of interest on loans made to parties should be eight per cent., a rate of interest never known in England, and they then added that, which to me appeared a monstrous degradation; that is to say, that the Government should have some share in this usurious interest exacted from distressed parties; and the exaction of which usurious interest would necessarily have this effect, that it would prevent parties carrying on their trades, or employing labour, because it lifted up the interest of money far above the rate of profit; parties would not borrow money at a usurious interest to carry on trade at a loss, and therefore I consider that the letter was very bad in all respects; I consider, however, that it had this one mitigating quality, that it did tranquillize a little the public mind, but it did it in a most ungracious manner: that is my opinion, and I say it with great respect.

1082. What was the practical effect of issuing that letter in Birmingham?—Very little in Birmingham; the Birmingham trades are retail; it had more effect in London, where there are vast wholesale transactions; in Birmingham we feel the effects a long time after; our trades are retail trades comparatively.

1083. Did the fixing the rate of interest produce any effect?—Interest was raised; we had no additional facility of discount; interest had previously risen to seven per cent., and it was immediately raised to nine; that was the only benefit we experienced from the letter in Birmingham.

1084. Mr. Spooner.] You say that raising the rate of interest had little effect in Birmingham?—I do not think it increased the facilities of discount much, but it had the effect of making us pay more for what we did get.

1085. Had it any effect in preventing the execution of orders?—I think it checked the execution of orders, but I cannot say to what extent.

1086. Has any instance come under your knowledge, where a man has had orders, and has ascertained what he must pay for the discount of the bill with which he was to be paid for the execution of those orders, and finding that the rate of interest was higher than the profits of the transaction, he has declined to accept

accept the order?—I know that that has been to a great extent, particularly in the American trade. T. C. Salt, Esq.

1087. At the present moment, money is very abundant, and easily to be got, is it not?—Money is very abundant, but not easy to be got, inasmuch as under present circumstances sales cannot be made, and the bills in existence are so much diminished in number that it is not very easy to get any quantity of bills for discount by which the money would be obtained; but the money is now to be had at a low rate of interest. 18 February 1848.

1088. Is it not your opinion that there are several persons now who have capital lying unemployed, who would willingly employ it in commercial transactions if they saw a certainty of those commercial transactions being carried on with profit?—I have not a doubt that if such parties saw that there was any fixedness in the money of the country, if they had a perfect assurance that the money would not be subject to a sudden escape of gold as it has been hitherto, and therefore a corresponding restriction of paper; many of them would embark their capital in business; but I am inclined to think that to induce them so to do now, would require not only that assurance, but great facilities; for I have always observed, and it is to me a very fearful feature in the case, that after these panics, and after people have suffered, and not only suffered, but have been taunted with having been imprudent in engaging in wild speculations, it has taken five or six years before they have consented to embark in business to such an extent as to give general employment to labour, and to renew the creation of national wealth.

1089. If confidence should again be restored, and the people should again be employed, what effect would that have generally upon the price of manufactures of Birmingham?—If confidence should again be restored and the people again be employed, prices would rise.

1090. To what extent could that rise of prices be carried to insure a market in foreign countries?—It could be carried to any extent, if the rise in prices of English goods were the result of a mere action upon English money; but the reason why we have lost our American trade is, that we are draining the gold, the money, from America, so that when we send our goods to America, the Americans are so much distressed at our having taken the money from them, as we were by their having taken the money from us; the Americans export to this country till they have got the gold back, and then we are plunged into distress; so that, under the present system, commercial intercourse is merely commercial wrong; whereas, under my system, if our country did not rob their country of the basis of their currency, commercial intercourse would be only commercial benefit.

1091. Do you find foreign competition very much affect the trade of Birmingham?—Foreign competition has gone to such an extent, as to destroy the profits on all trades in Birmingham; profits generally are so small, that whenever there is any check, they fall immediately below the general charges; but the degradation of profits in Birmingham from foreign competition has been continuous; for foreign markets have been depressed by every effort that we have made to draw the foreign money into England.

1092. You have told us already that you are largely concerned in the brass foundry?—I am.

1093. Do you of your own knowledge know, as a brassfounder, that foreign manufacturers find a sale for their goods, even in Birmingham, at a lower price than the manufacturers there can afford to sell their manufactures at?—I do; I have had an account with a German house in Birmingham; the average of their orders has been 300*l.* a month, and for the last three months of the season, their orders were not above 25*l.*, and the orders since then have not come, in the quarter, to 10*l.*; the Germans are everywhere driving us out, and not only that, but, absolutely, from Germany and France (acting on the one-sided principle of free-trade, which enables France to put its hands into our pockets, without giving us an opportunity of putting our hands into hers) brass goods are being largely brought to Birmingham, and they are not only sold by shop-keepers in Birmingham, but they are carried by factors on their journeys through the country; and I may say the same of huttons, and many other articles.

1094. Has jewellery been sent?—I cannot answer specifically.

1095. Has not one gentleman who has gone out from Birmingham recommended you to come out?—He is engaged in the lamp trade.

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1096. He was once a large jeweller in Birmingham?—Yes.

1097. Where has he established himself?—He has an establishment in Vienna; he came recently to visit Birmingham. As a lamp-manufacturer, I asked him how it was that he could under-sell me, and he said, "I have but one man to pay; I give him 12s. a week; he is a sort of superior servant, but to the others I pay from 7s. to 9s. a week; and that is the way I under-sell you."

1098. Did he say any thing about his rent and taxes?—Yes, he said that the rent and taxes were small in proportion.

1099. The small expense, then, at which he was carrying on his manufacture, enabled him to get such a profit as to under-sell his former fellow townsmen who are now living in Birmingham?—Yes.

1100. Has he been writing home, advising other people to go abroad?—Yes, he tells them that they can do better abroad.

1101. That is not a solitary case, is it?—No; Mr. ——— told me that he had been reading an account of a large open-air meeting in Derbyshire, where the labourers all expressed themselves as being hopeless of any amelioration in England of their condition, and had agreed to subscribe two-pence a week to transport each other to America; and it was agreed that those who were transported should continue their subscription till the whole body of workmen should be transported to America. The reason why I believe there has been no agitation in the country, and why there has been no cry of distress, is the extreme hopelessness of any thing being done.

1102. Do you see any great ground for hope that the general trade of Birmingham will soon revive?—I have stated before that I have always found a depression to continue for six or eight years, and that the ordinary channels of trade have never been revived until the establishment of joint stock companies, which give persons an opportunity of sharing, without the great risk of carrying on trade.

1103. If such revival of trade should take place, do you think that with our present monetary system it would be of short duration?—Yes; the experience of prior variations in every case tells me that it will have the same result that it has hitherto had; that is, that it will effect ruin to our industry: the embarkation of capital in manufacturing commercial industry for years past has always resulted in ruin and misery.

1104. Mr. Disraeli.] What part of Germany was it at which the house that sent you orders was settled?—It was the house of Andrew Isnel & Company, at Hamburgh. I should mention that that English manufacturer, Mr. Morton, of whom I spoke, who has set up in business at Vienna, and is now able, as a foreign manufacturer, to destroy my trade, became ruined in Birmingham as a Birmingham manufacturer; he goes to Vienna, and sets up in Vienna, and he is able to destroy my trade in Birmingham.

1105. Sir Robert Peel.] At what period did he leave Birmingham?—It was at least ten years ago.

1106. He was then a ruined man?—Yes.

1107. He was a ruined man in consequence of the depression of manufactures in Birmingham at that time?—He was; but I do not know the exact year in which he left.

1108. He was a ruined man at the period when there was protection to British manufactures?—He was a jeweller, and he was ruined at the period when there was protection, when we were under the influence of those panics; he was ruined by the effect of those panics which destroy our trade.

1109. You do not attribute his ruin to the withdrawal of protection?—The withdrawal of protection made trade worse; we had ruin before, and we get it double now.

1110. But you say that he was a ruined man ten years ago, which was before protection was withdrawn?—Yes; we had plenty of ruin ten years ago, but we have it now in a more aggravated form.

1111. You attach great importance to fixedness in the value of money?—Very great importance.

1112. Will you have the goodness to explain in what way you would accomplish that?—I can only repeat what I have said already; the present system gives no fixedness, inasmuch as the price, but not the value, of the gold is fixed; the issue of paper money in addition to the gold money depreciates the gold money as well as the paper; but the price being fixed, you have no index of the depreciation now; if you were to cease to have your standard as a coin, taking gold for your standard,

standard, then if a 4*l.* note would not in the open market buy an ounce of gold, you would have an instant indication that it was depreciated; suppose we take gold, and suppose 4*l.* to be the standard; if it required 4*l.* 1*s.* to buy an ounce of gold, you would have an instant index of the depreciation; before you came to an escape of the basis from under that enormous superstructure, you would have an index of that, and you would be able, by keeping up the standard, to satisfy the claims both of the creditor and the debtor; under the present system, you first of all ruin the debtor, by coming down to a low price, and you benefit the creditor; and then, when you come up to a high price, you injure the creditor and you benefit the debtor; you have therefore a perpetual fluctuation between money unjustly raised in value, and money unjustly depreciated in value; because by your own act you destroy the index which should warn you of these variations of price; you have fixed the price, and you assume that you have fixed the value; that is one of the great fundamental errors of the Act of 1819.

1113. Then you would advise a material change by law of the Act of 1819?—Yes; I would specially advise that whatever standard may be chosen by the country, that standard should not, as is, a point of principle, be part of the money of the country, because then you have no point of comparison; if you have a standard which is not part of the money of the country, you have a point of comparison which enables you to ascertain when the money of the country varies; it now varies secretly without giving you any notice.

1114. You would advise the continued issue of promissory notes?—I should say that the basis of the money of the country should be the legal tender.

1115. But paper money, which circulated from hand to hand, either the notes of the Bank of England, or the notes of private banks, or joint stock banks, under the system you would recommend, you would continue to permit the issue of?—The entire currency of the country should be paper.

1116. Will you have the goodness to give us a draft of the bank note you would permit to be issued?—I would have it in amount anything that might suit the national convenience, but instead of saying "I promise to pay," I would simply put, "Value One Pound," or whatever it might be.

1117. A 5*s.* or 10*s.* note you would have?—Anything that might suit the national convenience.

1118. Even 1*s.* note?—I do not say that it would suit the national convenience to have 1*s.* notes, but if it did, I do not see any objection to it; if I restricted anything, I should be more inclined to restrict the bill for six months, or three months, or two months date, than I should be inclined to restrict the lesser notes, which are for the lesser conveniences of life and for lesser moneys.

1119. You probably would not permit bills for so long a date as three months, or six months; you would put some restriction upon the date of the bills, but you would not propose any restriction whatever upon notes?—I would put no restriction upon the date of bills: I would leave them to every party's convenience; I did not mean, by my last answer, that I would restrict them, but it would appear to me more natural to restrict the longer-dated bills, which are bills for circulation, rather than notes which are for ready payment.

1120. You would permit any persons to issue paper notes marked upon the outside "Value" so much?—I understood the former question with reference to the draft of the note, to refer to the note which was a legal tender by law, the national note.

1121. We will take the national note, in the first instance; by the "national note" you mean a note issued by the Bank of England, or some body corresponding with the Bank of England; what should be the form of that note?—The form would be merely "Value" so much, not "I promise to pay," which implies that it is not in itself value or payment; but being a legal tender, I would have it, in fact, a payment; all I would do would be to take care that the value was maintained; I would write "Value £.1," and I would take great care that that value did not fluctuate either one way or the other.

1122. It would of course be inconvertible into metal?—It would be inconvertible in the present acceptance of the term; but it would be, in point of fact, always convertible into gold or whatever else we wanted; the party holding it would not have to go to the Bank, but he would go into the market to get it converted.

1123. But supposing he wanted 100*l.* of gold in exchange for 100*l.* of paper, you would not give him the power of requiring payment in gold?—Certainly not.

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1124. Would you retain gold in circulation?—If we had gold as the standard, I would not retain it in circulation as coin; for it must be, if it is coin, liable to be depreciated in value.

1125. You would not have as coin any thing that composed the standard?—No.

1126. Would you issue gold from the Mint?—Yes, especial care being had, that the metallic value of the coin issued be so far below the nominal value as to secure it from being melted or exported.

1127. At the present standard of 3*l.* 17*s.* 10½*d.*?—I will not say that that is the right standard for the country, for no test has been applied to that; it was adopted arbitrarily, without any inquiry, without any reference to the condition of the country, and without any reference to the fact that the restoration of the gold coinage by the Mint would make so large a demand upon this narrow market, the gold market, as essentially to alter and raise its value; therefore I do not say that 3*l.* 17*s.* 10½*d.* would be the right standard; it might turn out to be so, or it might not, and I do not myself think gold would be a good standard. I have seen cases in which we have been reduced to this point, that we have been looking out with some anxiety to the mines in Russia, or to the mines in South America, to know whether English industry would be permitted to exist. I would take care that English industry should exist by its own energy and its own power, and that we should not be looking out to Russia and to South America to know whether English industry could be carried on, which has been the case.

1128. Supposing you retain what is called the present standard, that is gold at 3*l.* 17*s.* 10½*d.*, and you permit those tokens, as you call them, to circulate; and supposing there should be a very great disproportion, in public opinion, between the value of the inconvertible bank note, and the value of the sovereign, what step would you take then?—I would just mention that the supposition is absolutely impossible, and I will state the reason. The only use that men have for their money is that it can cancel their debts; the money that by law would cancel a debt would minister to a great human necessity; a necessity from which it is absolutely impossible to escape, and therefore it would have as much value in the market as any other article; for instance, wheat: the only reason that wheat has any value is, that it ministers to the necessity of hunger, from which we cannot escape, and that value varies exactly according to the laws of nature, in proportion to its abundance or scarcity. If we had proper money, with no other value than that by law it cancels debts, that money would minister to human necessity, from which it is as impossible to escape as from the necessity of hunger, and, therefore, it would to all intents and purposes have value; and then it comes to the simple law, that being an article of prime necessity, its value would vary according to its abundance or scarcity; it would be exceedingly easy, therefore, to regulate that, and to keep it at its proper price.

1129. What would determine, under your system, the value of the pound, as it would have no reference to any metallic value?—I beg your pardon, I do not think gold is a good standard; but supposing we continue gold as the standard, as people are used to gold as the standard, all the difference between my system and the Bills of 1819 and 1844 would be this, that now you fix the price, and therefore you have no index of the value of your money. Your money alters its value, and that it has altered its value continually is certain. I would take gold under my system as the standard, but not have it as a coin; and if it were found that four one pound notes would not in open market purchase an ounce of gold, and gold were your standard, instantly you would have a warning that your paper money was not of the value it purported to be; what I want added to the present system is an index of that kind that shall show constantly whether really your money is of the value it purports to be or not. You can exchange it for gold, but gold varies perpetually in value; and the only reason you do not see the variation in value is because you fix the price, whatever you have as the standard. I have little choice about that; the standard ought to be something separate from money, with which you can compare the money, in order to see whether the money varies; for instance, you take gold as the standard, at four pounds the ounce; if four one pound notes would not buy an ounce of gold in open market, you are quite certain that the money is depreciated in value.

1130. Why should you not give me the power of demanding gold in exchange for notes?—Because the present state of the law fixes the price and disguises the alterations in value. My suggestion is, that you should set the price of gold free; while you use gold as coin, the price is fixed; while four sovereigns weigh an ounce

ounce of gold, of course, it will be always four sovereigns to the ounce, and people have been so accustomed to judge of the value of a thing by its price, and the value is completely disguised; if the price in the market be set free, and you find that your paper depreciates, you have a warning. Now the whole object of the Bills of 1819 and 1844 was to prevent the depreciation; the paper is perpetually depreciated; but you do not perceive the alteration in the prices of gold, because you have always the sovereign to resort to, to melt and export, and the price does not vary till the whole is melted or exported.

1131. Is a sovereign anything more than a definite weight of gold?—Certainly not; if you are bound to provide four sovereigns for four one pound notes, you have always a definite weight of gold to resort to.

1132. According to your system, if four pounds did not purchase four pounds in the market, you must have a restriction upon the currency!—Yes; but according to my system you would have an index of the variation of value; you have none now till the whole of the sovereigns are melted; the only index you have is the gradual disappearance of the sovereigns; but that is unsafe; the sovereigns disappear so silently, that it is only when the gold is gone, the paper collapsed, and distress has accumulated round you that you find it out, and that has been exhibited by the suddenness of the manner in which the Bank has been obliged to pull up the country; it has never been noticed before; the present system has been defective in that respect; every panic is a proof of it; we have had not one panic only, but four panics, and therefore I have four proofs.

1133. Would you permit the free export of gold, when gold was in circulation, but no longer demandable in exchange for notes?—Certainly; I would leave it as free as air.

1134. Supposing there should be a sudden scarcity of gold in the country, would not the value of the gold that remained increase?—I have said before that I took gold money as an example, but that I thought gold was the worst standard you could have on that very account, but I took it as illustrative of my meaning.

1135. Then your opinion is, that gold ought not to be taken as the standard?—I do not think it would be a good standard; metals have to each other a definite value. If you took as your standard a metal or metals less liable to be carried out of the country, and less liable to great fluctuations, then you would secure to the holder of a note a corresponding proportionate value; if you took tin, or lead, or copper, and the note were worth so much copper, or whatever your standard might be, it would be worth a corresponding quantity of any other article of human production; but I think, on account of the extreme facility of removing gold from one country to another, and on account of the peculiar idolatry that men have both at home and abroad for gold, it would be the worst standard possible, as being the most liable to be affected.

1136. Supposing gold were taken as the standard, we will take four pounds the ounce?—I took that to avoid fractions.

1137. Four sovereigns would be worth an ounce of gold?—I would have no sovereigns; if we have gold as the standard, we must not retain it as a coin; because, if we retain it as a coin, we prevent the possibility of ascertaining the variations in the value.

1138. We will take silver, then, as the standard, which you think would be preferable to gold?—Yes, but then you must have no silver coin; we come to that.

1139. If you took silver as the standard, the note must not promise to pay in silver?—No, the note would say, "Value One Pound."

1140. Which does not mean 20s. either in gold or in silver?—Whatever you took as the standard, it would mean that is your price; it might mean one pound of copper, or it might mean a pound of silver or of gold; but it would mean that proportion of whatever you took as your standard.

1141. I would take any standard that you wish?—It is perfectly indifferent what you take as your standard, on condition that what you take as your standard you do not also take as your coin.

1142. Let us take corn as the standard?—I should not think it advisable to take any thing as the standard which was liable to the great fluctuation of the season; metals are more fixed in their production, and are not liable to the extreme variations of the season; but fixing the standard is a matter of detail; all I mean to say is, that you should have as your standard something that shall be left free to vary in price; so that the variation in price in your standard might indicate when your paper depreciated.

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1143. Supposing the paper was very abundant, the value of your standard would fall with it?—No, if it ceased to be a coin; we will take for example gold; if paper were very abundant, gold would rise in price, because paper would fall; then the rise on the price of gold would be an index that paper was falling, whereas now you have no safety or warning.

1144. But if either gold or silver is taken as the standard, neither gold nor silver must enter into the coin?—Certainly not; because coining them involves a fixity of price; for instance, take it in round numbers that your standard is 4*l.* an ounce, for mere illustration, to avoid fractions, four sovereigns being equal to an ounce of gold; of course you have a fixity of price, and it always must be four sovereigns an ounce; at present you do not discover the variation in the value, but the moment you cease to coin the gold, your paper is a point of comparison with the gold, and if it requires 4*l.* 2*s.* of paper to buy an ounce of gold, you discover that the paper has depreciated.

1145. Your system would be this: there would be notes for 2*s.* 6*d.*, 5*s.*, and 10*s.*, marked upon them "Value One Pound," and neither gold nor silver would be allowed to circulate in the market; what would regulate the value?—That would be regulated by the standard; you must first issue money till you have raised the prices generally to a remunerating level, which they are not at now; they are at a destructive level.

1146. Mr. Hume.] You say "money;" what do you mean by "money"?—This paper-money; you issue your paper money till you have restored prices to a remunerating level; they are now at a destructive level; I imagine that there can be no difference of opinion upon the point, that they ought to be at a remunerating level to the producers; and the remunerating level will be ascertained, when every able-bodied man in the country is taken into employment, and kept in employment; that was the case in the years 1824 and 1826; there was not an able-bodied man in England out of employment; all we want is to go back to 1826; when prices are remunerating, manufacturers will be disposed to take every able-bodied man into employment, and when all are so employed, I call that an index of the national prosperity standard; I then take the prices of any article, or articles, that I should adopt as the standard; it may be gold; for illustration, I will take gold; then suppose gold had risen to more than 4*l.* an ounce, or we will take copper, and suppose that copper had risen to 120*l.* a ton, I would then issue sufficient legal tender notes to maintain it at 120*l.* a ton, and I would continue to maintain it there, and I would not issue notes so as to depreciate them to the extent that 120*l.* of notes would not purchase a ton of copper.

1147. Sir Robert Peel.] Supposing I had capital and skill, and my trade was remunerative, but that my neighbour had not capital and skill, and his trade was not remunerative, how would you determine upon the price that was remunerative?—The test I would give would be, when all the labourers were taken into employment, and if you were a manufacturer of skill, your manufactory would enlarge while your neighbour's would diminish, and the workmen would be in your employment instead of being in his; but this one thing must be done, the labourers must be employed; their employment fluctuates exactly with the increase or diminution of money; whenever money is diminished, the employment of labourers decreases; it is clear that with 5*l.* you cannot employ as many labourers as with 10*l.*, and it is necessary, therefore, that the money should be maintained in the country in sufficient amount to employ all the labourers of the country.

1148. You are speaking of the industrious labourers only?—Yes, able-bodied industrious men.

1149. How would you determine that point?—In this way: in 1824 and 1826 I could not execute my orders; I had a pretty fair reputation as being a humane master, and I had hand-bills printed, and distributed them over the town; I was not particular what sort of hands they were if I could get any, and I had applications from one cripple and from two men who were of abandoned character; they were notorious thieves, and of course I could not take them; therefore I take it that all honest, industrious, able-bodied men were fully employed; there was a good supply of money; then we came to 1826, when there was a collapse and a scarcity of money, and all men were thrown out of employment. I would mention another thing, which is, that much has been said of over-trading, if over-trading means producing more than is consumed; in 1824 and 1826 all men were in full employment; every mill and every manufactory, every bit of machinery, was in full employment, and all goods were taken into consumption in those years;

years; the retailers' shelves were bare of goods, that I ascertained from very extensive inquiry at the time; they sold the goods faster than they could get them from the manufacturers; their stocks diminished; but, in 1826, when all the mills were at half work, there was a glut of goods, and the shelves were laden with them; the fact was, that the consumption was so far stopped, that even the small quantity that was made could not be taken into consumption; in 1824 and 1825 money was abundant; in 1826, money was scarce. All the difference between prosperity and adversity is made by the relative quantity of money; whenever money is kept in perfect equilibrium with industry, there is no such thing as adversity; for the adversity of a bad harvest is trifling as compared with the universal adversity of a money pressure; it is a cost of only thirty or forty millions to import food, which does away with all the evil of a bad harvest; but when there is a scarcity of money, distress is universal with the people, and with the Government it is equally universal, for the people have no income, and the Government income falls far below the expenditure, but the Government unfortunately have always the resource of running into debt. Without that resource they would feel what the people feel, that they should get their revenue out of the prosperity of the country, and that when the scale of taxation ceases to produce the revenue, they were bound not to increase the scale of taxation, but that they were bound to raise the standard to the prosperity standard. If Government felt as the people feel, I am sure we should have an instant remedy, and they would find that abundance of money means abundance of profit and abundance of revenue.

1150. In 1825 convertibility was the law of the land?—Certainly.

1151. In your opinion the necessity of conforming to the standard led to the scarcity of money in 1826?—Yes, we had convertibility in 1825, but we were rapidly departing from it, inasmuch as gold was being melted or exported; therefore we had in reality departed from the Bill; but instead of the departure being exhibited by an alteration of the price of gold, as it would have been if the price had been left free, the departure from the standard is only exhibited under the present law by the melting and exportation of gold.

1152. But in speaking of national paper you mean paper issued by some corporation like the Bank of England, or some institution corresponding in its functions with the Bank of England?—Exactly.

1153. Will you state whether I correctly understood you as saying that that national paper should be issued *ad libitum* till the period when prices were remunerative, and every industrious able-bodied man found full employment?—Certainly.

1154. When that object had been achieved you would fix your standard at that point?—Yes.

1155. Till you had achieved that object, till prices were remunerative, and all able-bodied industrious men had employment, we should have an unlimited issue of paper?—Yes; the only reason that I say that, is, that under the present system we have so far departed from what is right in the basis; we have had such extraordinary fluctuations that we cannot now tell where we are. It is necessary, therefore, to take observations; but the great principle is, that the labourer should have his wages, the manufacturer his profit, and that the creditor should have his due; that the labourer should have his value for his labour, as well as the wealthy man, the creditor, the value for his money.

1156. Do I correctly state your views, when I state, that you would propose that national paper should be issued without limit, or without any reference to any metallic standard of value, until that period should have arrived when the prices generally should give to every able-bodied industrious man full employment?—You correctly understand me.

1157. With regard to the paper that is issued by private banks and by individuals; what would you advise with respect to that description of paper; you would not proscribe it?—No; I do not think that there is any right to proscribe it, but I should be inclined to think that if the gap that would be made by such a restriction could be properly filled up, my system might work better with the cessation of private notes.

1158. The cessation of notes in all parts of the United Kingdom?—Yes; and when I say all parts of the United Kingdom, I think it is important that the monetary system should be regulated for the colonies, and the whole empire as for

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the United Kingdom; it is, I believe, as important for their happiness as it is for ours.

1159. Would you in the case of the colonies restrict the issue of paper of any kind, provided its place were filled up by the national paper?—I am inclined to think that the system would work better with that restriction than without it.

1160. Mr. Spooner.] Is it your opinion that the price of labour and of commodities of all sorts is regulated by the standard of value?—We have no standard; if we had a standard, it would be so.

1161. We say we have a standard of 3*l.* 17*s.* 10*d.*; it would be regulated by that?—In your view of the case it would.

1162. To put it in another way; it would be regulated by the amount of currency?—Certainly.

1163. Do you believe that the present amount of currency is sufficient to maintain remunerating prices?—I am quite sure that the prices now generally prevailing are not remunerating.

1164. If the amount of currency was increased, so as to maintain remunerating prices, do you think you could maintain gold in this country at the present rate?—Certainly not.

1165. Then you are in this dilemma; you must either sacrifice your remuneration or part with your gold?—Yes; you must either sacrifice your life or part with your gold.

1166. You must either throw your men out of employment or give an increased circulation, which will not range with your present price of gold?—No doubt about it.

1167. You have been asked whether Mr. Morton's ruin did not take place before protection ceased?—It did.

1168. But before protection ceased, could he have gone over to Vienna, a ruined man, and have established a manufactory there to come into competition with you in Birmingham?—Certainly not.

1169. However Mr. Morton may have been affected by protection or no protection, you are seriously affected by the want of protection?—Certainly.

1170. Sir Robert Peel.] Here is an account of the principal articles of foreign merchandise imported into this country, in the year ending 5th January 1848, and I do not find any articles of brass manufacture there; do you think that there are considerable quantities of brass manufactures imported from abroad?—I cannot state the quantity; but I know this fact, that French and German foundry of all kinds, and particularly certain kinds, are imported into Birmingham, and bought under the eye of the manufacturers by the retail shops in Birmingham, and sold in public because they are cheaper than ours; and I know that the factors of Birmingham also carry with them French foundry; I would mention a name, one manufacturer of the name of Whitfield went over recently to Paris; he is a brass founder, and he found that he could do better by buying the articles there, and importing them, than by manufacturing them in Birmingham.

1171. Mr. Spooner.] Are you not aware that at the present moment several of the chief button-manufacturers in Birmingham are buying foreign buttons to supply their own customers, because they can buy them cheaper than they can themselves manufacture them?—There is no doubt of that.

1172. Sir Robert Peel.] Brass manufactures are subject to duty on import?—I do not know what the duty is, but I know that they are imported.

1173. I cannot find in this account any brass goods that paid duty in 1847?—Then they must come under a different nomenclature; I know the fact that they have been imported; of course trade does not stop suddenly, but at the present time there is hardly a merchant in Birmingham that has anything at all to do of any kind; there are hardly any goods exported from Birmingham at the present time; during the course of last year the exportations did not immediately stop, particularly the exportations to America increased very largely; the exportations to America have now entirely stopped, because they have got a money panic there, and all the orders that were given are countermanded.

1174. Mr. Labouchere.] Do you believe that the observation you have made as regards Birmingham is equally true as regards all manufacturers of hardware throughout the kingdom?—I think it is.

1175. Do you believe that in a series of years the exportation of British hardware manufactures to foreign ports has diminished?—I do not mean to affirm that; it has varied exceedingly; I mean to affirm that certain markets, such as the

the continent of Europe, we have gradually lost; we have lost the German market, the Italian and the Spanish; the Germans first of all drove us out of that market, and then invaded Italy, Spain and Germany; the German travellers swarm in Spain, and our trade in those markets has gradually diminished; they have not yet reached the colonies; till the present panic, there was a considerable business carried on with other quarters of the world, which compensated us for the loss of those markets, but we are driven out of those markets by the rivalry of the foreigners; they are gradually extending their business in the article of glass; there was formerly in Birmingham a trade in glass drops for chandeliers; that has ceased to be a trade here; I import every glass drop without exception; I am sending to India some remnant of orders, but it is entirely German glass.

1176. Are you aware whether the export of glass from this country has increased or diminished during the last year?—I am not aware, but while we have been driven out of some markets, we have had a market in other parts.

1177. Sir Robert Peel.] What measure would you propose to adopt in order to enable us to compete with Germany in the Italian market?—It is a very curious fact that after the Bill of 1819 passed, in the years following, 1820, 1821 and 1822, we heard of nothing but foreign competition, and the prices were exceedingly low in England; then Lord Castlereagh came down in 1822 with five money Bills, which were departures from the Bill of 1819, to relax that system; and in 1823, 1824 and 1825 we gradually lost sight of foreign competition. The depreciation that takes place in money, and the lifting up of the price, is *pro tanto* a direct alleviation of taxation to the manufacturer, and he will manufacture a much larger quantity. I will work the case out; if goods are at 50*l.*, the taxes, which we will call 5*l.* upon 50*l.*, are ten per cent.; the goods go abroad with the weight of ten per cent. taxes; if the goods rise under a change in the English market to 100*l.*, and the taxes are 5*l.*, the goods then go abroad with a pressure of five per cent. taxation; if you ask me how the foreigner buys my high-priced goods, when he did not buy my low-priced goods, it is because the foreign 50*l.* will exchange with the 100*l.* English, and my goods go abroad with five per cent. weight of taxation, instead of ten per cent.; we have always found that an abundance of money in England enables us to compete with all other countries.

1178. But no measure that we could adopt with our currency would affect the capacity of the German to supply his manufactures, or the capacity of the Italian to buy them?—No, but it would relieve us, and enable us to meet them better than we can now do.

1179. Your object would be to raise prices till they were remunerative?—To raise prices as represented in English money; the action upon the money in England would have no effect upon foreign money; I am not at all for depreciating the value of money, but suppose we depreciated English money 50*l.* per cent., 50*l.* of foreign money would exchange for 100*l.* of English money; for that which was equal to 100*l.* of English money, the foreigner would buy English goods, and take them away.

1180. But whatever was the increase in the nominal value of money here, the foreigner would disregard it; he would not pay you an increased price?—It would be rectified by the exchanges.

1181. There would not be two sets of prices, one for the foreigner and one for the English consumer?—It would be the same price; it would be regulated by the exchanges.

1182. In case of an internal demand, you would receive 20*l.* for a certain description of manufacture; but if you sold that to a foreign manufacturer, he would not pay more?—He would pay 20*l.* in English money, and 10*l.* of foreign money would exchange for 20*l.* English.

1183. How would that enable us to compete with the German in the Italian market?—It would abate the pressure of taxation upon our goods; from the prosperity that would arise, taxation would be remitted; now taxation upon certain articles must be increased on account of its diminution through the distress of the country; with the prosperity of the country producing more income, and being on a larger basis of employment of labour, taxation might be remitted.

1184. That is to say, the amount of debt due to the national creditor would be taken at less than its present value?—I think he claims more than is due to him; but conceding that to him, with a full employment of labour, the revenue would so far increase, that the fundholder might be paid the entire exaggerated value of his debt without pressing too much upon the people.

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1185. *Chairman.*] The price of all articles would increase with the increase of prices?—I am speaking now of the increased basis that full employment would give to the taxation; the people are now half employed, therefore the pressure of taxation must rest on half the people. Supposing all the people were constantly employed, there would be the same pressure resting upon all the people, instead of upon half.

1186. But would you not have to raise the wages of the different parties employed, in so far as you depreciated money?—I am no advocate for the depreciation of money.

1187. Your Birmingham muskets would rise in price?—Yes.

1188. The only part of the national charge which would not rise would be the payment to the public creditor?—Not only the payment to the public creditor, but the payment to the private creditor, and rents and mortgages, and everything of that kind.

1189. But the charge of the public creditor would be the only part of the public charge that would not rise?—Yes; but I beg leave to say most distinctly, that I do not advocate the depreciation of money; but under the present system, and at the present hour, money has been arbitrarily and largely raised in value, as has been exhibited by its demand; we say to the public creditor, "Take your full value, take your pound of flesh, but do not take one drop of blood with it." I am not an advocate for the depreciation of money, but I say, that a large increase in the value of money is in the process of taking place; and, I further say, that under the Bills of 1819 and 1844, if the amount produced from the gold mines remains as it is, with the great tendency to the development of industry that there is, not only in England, but all over the world, the disproportion between the production of gold and the productions of industry is constantly increasing, and there is, therefore, a perpetual rise in the value of the standard which is now adopted. I want no unfair advantage against the creditor, either public or private; but what we complain of is, the enormous injustice that now the public creditor gets more than he is entitled to; and, what is more, we suffer in a greater degree by throwing men out of employment, and preventing the creation of national wealth which ought to pay those charges.

1190. *Mr. Hume.*] If I understand you rightly, you say, that whenever any able-bodied men were unemployed, you would issue paper until they were employed at remunerative wages?—Certainly; at the present moment there are a number of unemployed workmen in different trades; those men ought to be employed.

1191. What step would you take?—Exactly the step which Government takes of its own accord, and is invariably taken; whenever distress has come, Government has relaxed the Bill; after the Bill of 1819 passed, they found that all workmen generally were thrown out of employment, and Government relaxed the Bill, and whenever Government has caused more money to be issued, instantly all the labourers were in employment.

1192. *Sir Robert Peel.*] In 1841 and 1842, was that the case?—They left us then to struggle on, and the Government did not relieve us; it was a great humiliation to us; but we went to the Bank of France, and asked the Bank of France to assist us; that was tantamount to the Government assisting us; then I date the revival; in 1842, in 1843, the revival took place by a direct departure from the Bill, and the consequence of that departure was the subsequent panic.

1193. *Mr. Hume.*] Will you state what the departure from the Bill was, for bank notes were then convertible into gold?—Issues were increased, and a very slight increase of money brought the remaining money into more active circulation; that caused a virtual depreciation in the value of money, which was exhibited by a subsequent escape of gold.

1194. You say that money was increased; by what means was money increased?—By the issue of Bank of England notes.

1195. You say that a departure took place from the existing law; the law being, that a certain quantity of notes should be exchangeable for gold, wherein did the departure take place at that time?—Increased issues of paper money depreciated the value of money, so that gold as merchandise went out, as it will do when we have gold as a coin; it was partly influenced by the exportation of gold for food, but when gold was being exported, you did not perceive it at first till the Bank of England found it impossible to continue its payments in gold.

1196. You say that the Bank did not continue their payments in gold; what proof have you of that?—As far as its efficiency as a Bank went in giving accommodation

accommodation to the public, they literally stopped payment; they continued to pay in gold their obligations by dint of borrowing, and that was to the loss of other parties; it was affirmed in the Morning Chronicle, and repeated in the Banker's Circular, that they paid the Government dividend by pledging Bank Consols.

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1197. A loan was made by the Bank in Paris; do you mean that that was a deviation from the correct standard?—No; but it was exhibited thus; they so far deviated from the correct standard, that they could no longer retain the gold in England to effect their payments.

1198. The Bank having assets in hand, such as Exchequer Bills, or stock, or whatever they had as assets, do you mean that, because they pledged those assets at the time, and borrowed a sum of money upon them from the Bank in Paris, that was a deviation from the correct standard?—I mean that the issue of the Bank of England had so far depreciated paper money, that gold could not be retained, and was not retained in England; gold was not retained in England in sufficient quantity to meet the obligations of the Bank.

1199. What proof have you of that; have you any instance of a refusal of the Bank to pay its obligations?—No, but I have proof of the disappearance of the gold; if the gold had continued to be of equal value with the paper, the gold might have been retained, but it could not be retained, because it was depreciated in value; the departure of gold from England in 1845 was a direct proof that it did not circulate with paper at an equal value; I allow that in 1845 the case was complicated by the export of gold for food, but still it was out of the country.

1200. What reason have you to give that a large proportion of that gold which disappeared in 1845 was not hoarded or held by bankers and others in this country; might it not disappear in that way, without being depreciated in value?—No, I think not.

1201. Might not that be equally the cause of the withdrawal of the gold from the Bank?—The cause of the hoarding, if there was hoarding, would be, that seeing the Bank was losing their gold, parties would foresee to a certainty that the Bank would be in difficulties, and then they might hoard the gold, and so aggravate the evil; but they would not, and could not, hoard the gold; their interest forbade it, unless they foresaw that the Bank of England would be in difficulties; the only thing that would place the Bank in difficulties would be gold being of higher value, and therefore disappearing.

1202. Sir Robert Peel.] You have assumed that the cause of the returning prosperity of 1844 as compared with 1842 was, that gold left the Bank in 1842?—Yes; I apprehend that the returning prosperity arose from the increased issues of paper.

1203. How then do you account for the fact, that in the year 1842, a year of distress, the average quantity of bullion in the Bank of England was not more than 8,000,000 *l.*, and in the year 1843, which was a time of revival of trade, the average quantity of gold was 11,000,000 *l.*, and in 1844, which was a time of prosperity, the average quantity of gold was nearly 15,000,000 *l.*?—The effect of that is quite clear; our goods are first depreciated in value, till, at last, by the depreciation of value, and by their being sold under prime cost to foreigners, the exchanges turn in our favour, and gold comes back; we then get the gold and paper together. With an abundance of gold, you will find that it requires a very slight increase of paper to set in action all the money that existed before; the effect in the first instance is to reduce the value of money below bullion, and then comes the distress—the distress not being simultaneous, but following at a distance, and the prosperity also follows at a distance.

1204. Mr. Husk.] I cannot see in the returns any such concomitancy as you state, but I find the reverse; it is on that account that I wish you to explain what proof you have that paper, at that time, is in a state of depreciation?—The only proof is that gold coin disappears; I know of no other.

1205. May not gold coin disappear from there being a difference in the value of our exports and our imports; may it not disappear by a panic?—No; a panic never comes except when there comes a scarcity of money.

1206. What do you call a scarcity of money; do you mean a scarcity of bank notes?—Yes; a scarcity of bank notes causes a panic.

1207. Have you looked at the returns to see whether the amount of bank notes issued at that time was less than at other times?—Yes, it is a very little diminution; but if you come to statistics, you must take into account the

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additional quantity of gold in the country, as well as the additional quantity of paper.

1208. Supposing you had the power now, what steps would you take to raise the country from the present condition of distress, and to give employment to those who are idle?—When men have been repeatedly deceived and ruined by that deception, it is exceedingly difficult to restore confidence. Money is now in the market at 3 l. per cent.; but men are reluctant to take it up; and nothing could suddenly or in a moderate degree of time restore confidence, but some assurance by Government that they would not adopt a system subject to those fluctuations; if that assurance were given, men would soon get employment.

1209. If you had the power of Government, what steps would you take?—I would give a Bank Restriction Act till we could look round.

1210. You would give a Bank Restriction Act to prevent the convertibility of bank notes into gold?—Yes.

1211. Supposing you had gained that object, what would be your next step?—To issue money at an easy rate until manufacturers and merchants had taken it up and employed it—till people had found it advantageous, and not dangerous, to keep stocks of goods; and you would find immediately that stocks of goods in the market would be bought by merchants who are called speculators. When there was a quiet and gentle rise in the market, the thing would be done quietly; a demand would arise for manufactured goods, and the price would be restored, and with the restoration of prices, confidence would be restored.

1212. How would the manufacturers get money?—There would be a demand for their goods on the part of the merchants, who would give them their bills, and their bills would be taken and discounted.

1213. You have stated that there is no demand now for goods from America; do you believe that issuing paper money here would induce more manufacturers to fill their warehouses with goods?—The reason there is no demand at present from America is, that we have caused there a money panic by withdrawing their gold after our gold was carried to them, causing their prosperity; we have gone and imported it back, causing their adversity; it is the scramble for gold between us and America that causes the alternations; if we left the gold to America under that system, and cease to scramble for it, and were content with paper, instantly a large trade would arise.

1214. Setting America aside, take the rest of the world; do you consider that as there are no orders in Birmingham from any part of the world, that the Birmingham manufacturer would take up this money, and that would employ the money and create stocks when he has no orders nor any prospect of sale?—There is no demand in England for the West Indies nor for the East Indies; the reason there is no demand is, that the condition of the money market is so depressed that the price of produce in the East and West Indies cannot meet it.

1215. But what would the manufacturer do, there being no demand?—Money makes demand; a demand would arise with an increase of money.

1216. Do you mean to say that any manufacturer obtaining money, and then setting his men to work, can ensure a sale for his goods?—He never does it in that way; a demand springs up, and then a manufacturer sets his men to work.

1217. Supposing a demand does not spring up, how would the issue of this money give employment to the unemployed?—We have this answer which experience has given us, that money never has, on any occasion, been made abundant, but a demand has sprung up with it; but it is exceedingly difficult after confidence has been destroyed to restore it, and it is some time before it is restored; but still it can be done, and has always been done, I should say upon past experience. We had no demand in 1822; the Bill of 1819 had destroyed the demand, and the Bill of 1819 was relaxed, and instantly the demand sprang up, and generally upon every occasion it has been found that an abundance of money in the money market causes a demand to spring up.

1218. Do you mean to say that the statement of the returns of issues by the Bank of England or other banks, will prove the fact which you have stated?—In a very small degree, because it depends not only on the paper issued by the Bank of England, but it depends also on the gold in circulation in the country; you have no complete statistics upon that point; but on the average, whenever the Bank of England restricts its issues, it does it under the necessity that the diminished quantity of gold creates, and therefore its issues do in some degree indicate

indicate the monetary condition of the country, but at the same time they are but imperfect statistics.

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1219. May not these changes be produced by a greater activity of the manufactures, rather than by any depreciation in the value of money?—Activity never takes place under restrictions of issues, and never did.

1220. But may not the difficulty of obtaining discounts, which I suppose you allude to, be occasioned by the smallness of transactions which take place in the country, as well as the depreciation of the value of money?—It is very true; but if the money is not sufficient to support the transactions which keep labour in employment, it ought to be made sufficient. In this country the glut of industry, of invention, and commerce and population, and the expanding character of the country, require a very expansive monetary system, upon a wider system than it is now; it is true that the largeness of transactions may be too great for the money basis; but then the basis should be enlarged, and not the transactions cut down.

1221. What is it, in your opinion, that would enlarge the basis; would it be the amount of paper money, or the amount of capital which is to be obtained or created?—They ought to be kept in due proportions; and if the productions of industry increase, the money which represents these productions ought also to be increased.

1222. How can the quantity of capital be increased in the proportion which you now indicate; you say you would issue money till every unemployed able-bodied man was employed at remunerative wages; what connexion could that have with the increase of capital?—The labourer would be employed in increasing capital; by capital you mean the different productions; the labourer could not be employed without increasing capital.

1223. But your warehouses might be full, and breaking down with goods for which you had no sale?—But money is in its essential character the great organ of distribution; no man ever got a guinea in his pocket, but he had a wish in his heart to spend it; and if you increase money, you increase the power of distribution.

1224. But have you not known, in your experience, a great accumulation of goods in Birmingham for years together, with a difficulty in obtaining sale?—Certainly, never but when the money market was depressed; there never was such a thing.

1225. Do you mean to say that that could not possibly take place, if you had the privilege of issuing this paper money until the state of things which you have spoken of, of the employment of all able-bodied workmen, was obtained?—Such a monetary system never could be disarranged; that is to say, if you used decent discretion; if you abided by that rule, and kept prices at that range, you would have the issuing of money, or the withdrawal of money, entirely in your control, and you might issue it exactly in proportion to the national required necessity.

1226. Would there be any objection to your putting before the Committee a list of the manufactured goods which have come from Germany and other places to supersede your own manufactures?—The chief things that have come under my own observation have been glass drops, flint cut glass, buttons and brass things, certain bands and comices.

1227. Mr. Spooner.] In what state was trade at the end of 1841?—I rather think it had begun to revive at that period.

1228. Up to that period had it not been in a very depressed state?—Yes.

1229. Will you look at this paper and state what, at the end of the year 1841 and the end of the year 1842, was the amount of money in circulation, and the amount of bullion in the Bank?—The amount of money in circulation at the end of 1841 averaged seventeen millions, and the amount of bullion was five millions. At the end of 1842 the amount of money in circulation was nineteen millions, and there was between nine and ten millions of gold.

1230. Was trade better in 1842 than it was in 1841?—Certainly, much better.

1231. In 1843, was trade better?—In 1843, there was a decided revival.

1232. Will you state what was the amount of circulation in 1843?—The paper circulation was nineteen millions, and the amount of gold in the Bank was twelve millions nine hundred and thirty-six thousand.

1233. When bullion was very low at the Bank in 1841, do you, of your own knowledge,

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knowledge, know that goods had to be sold at a very great loss, in order to meet the obligations of merchants; did not a great quantity of your goods go out for consignment from people being forced to send them out by reason of the low price here, and the impossibility of realising assets to meet their engagements?—I never sent out any myself for that purpose; but the impression upon my mind is that that was the fact.

1234. And the effect after goods are sent out is, that gold comes back?—Yes.

1235. And when gold comes back, is that followed by an increase of bank notes?—Yes.

1236. And is that followed by a prosperous state of trade?—Yes, always.

1237. Mr. *Hume*.] You say that a decrease took place in 1841 from deficient currency; will you look at the aggregate amount of currency; in November 1841 there was 36,100,000 *l.* of paper money, in November 1842 there was 36,900,000 *l.*, and in November 1843 there was 36,000,000 *l.*; does not that show that this change in the amount of bullion in the Bank had taken place in those years without any change in the amount of money, which you consider to regulate that?—I have mentioned before that these statistics are of a most imperfect character, inasmuch as you have no measure in those returns of the quantity of bullion in circulation amongst the public. I know as a fact, that at the time the Bank had 12,000,000 *l.*, there was a superabundance of bullion amongst the public; and, on the other hand, that at the time the Bank had 4,000,000 *l.* of bullion, there was a corresponding diminution of bullion amongst the public; but I would say, as a general principle, that the quantity of business done must bear some proportion to the quantity of money, unless you are to affirm that it is possible that people can do business without money.

1238. Are you not aware that a vast deal of business is done without any money, by means of cheques?—Yes, but as a general rule, cheques bear some proportion to money; it may be, that the money is only a pound, while the cheques are 1,000 *l.*, but cheques multiply generally in proportion to money.

1239. Sir *Robert Peel*.] Is there not an association in Birmingham on the subject of the currency?—Yes.

1240. Are the views which you have expressed, the views of that association?—Yes.

1241. Are you a member of it?—Yes.

1242. Mr. *Hume*.] Is that the Anti-Gold League?—No.

1243. What is the title of that association?—The Currency Reform Association.

1244. Sir *Robert Peel*.] Though some individuals may differ from the views which you have expressed, are they not the general views of the association?—They are.

1245. Did you ever hear any one dissent from them?—I think not; at any rate, those who have dissented have ceased to dissent.

1246. Mr. *Spencer*.] Have you ever laid before a meeting of the Currency Reform Association your theory about the average value of metals forming the basis of the standard?—I have.

1247. When was that done?—I cannot say exactly, but we have talked over it several times.

1248. Did you ever get any vote of approbation upon it?—No.

1249. Sir *Robert Peel*.] But did you ever find anybody successfully contend against those views?—No, I never heard anybody attempt it.

Martin, 23rd die Februarii, 1848.

MEMBERS PRESENT:

Mr. Thorsely.
Mr. Spooner.
Mr. Hume.
Mr. Ricardo.
Mr. Alderman Thompson.
Mr. Disraeli.

Mr. Beckett.
Mr. Glyn.
Mr. Cobden.
Mr. Herrera.
Mr. Cayley.

THE RIGHT HON. F. T. BARING, IN THE CHAIR.

*Philip Henry Muntz, Esq., Examined.**P. H. Muntz, Esq.**22 February 1848.*1250. *Chairman.* IN what line of trade are you?—I am a general merchant.

1251. How long have you been in trade in Birmingham?—I have been in trade 25 years; I have been in trade on my own account since 1832.

1252. Have you been at Birmingham all that time?—I have resided at Birmingham since 1834; I was on the Continent till 1834.

1253. You attend in consequence of a communication from Mr. Spooner?—I obtained a summons to attend.

1254. Will you have the goodness to state what you consider to have been the condition of trade in Birmingham at the end of 1846?—It was a fair average trade at low profits and low wages, but the majority of the workmen were tolerably well employed.

1255. Do you consider that there was any over speculation at that time?—I do not.

1256. What is the present state of trade in Birmingham?—It is in a very depressed state in Birmingham, and the whole neighbourhood; as far as I can judge from what I have ascertained from others in Birmingham, there are from 5,000 to 6,000 people entirely out of employment, and the remaining number, or a very large majority, are working two or three days a week; many of them not so much; of course there are some individuals fully employed; I am not aware of any, but I have no doubt there are some.

1257. Were the difficulties in April 1847 felt in Birmingham?—Yes, they were.

1258. In the same way as they were felt in London and in Liverpool?—Much in the same way; but the trade of Birmingham is so much smaller in amount than the trade in Liverpool, that the trade of Birmingham has never felt the commercial panics so severely as the trade of Liverpool or London. If a Birmingham tradesman has 10,000*l.* to meet, it is comparatively a large amount, but for a Liverpool tradesman it is a small amount, and if the Birmingham tradesman has the property, he has less difficulty in meeting his engagements.

1259. When did you first feel the difficulties in Birmingham?—The first difficulties were about the first week in April.

1260. What was the immediate cause of the difficulties then?—The immediate cause was the Bank of England, either refusing or curtailing discounts to a certain extent; the report derived from the public papers stated, that several of the large houses in London had been refused discounts except to a very limited extent, and that was followed by the Branch at Birmingham adopting the same measures, which of course seriously affected all parties concerned.

1261. Do you mean that the Bank of England's Branch at Birmingham curtailed its discounts?—Yes.

1262. Did it refuse discounts at all?—It refused to discount bills beyond a certain date; I think it was 31 days, or they fixed a day which came within 30 or 31 days.

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1263. Mr.

P. H. Muntz, Esq. 1263. *Mr. Spooner.*] Can you state a fact within your own knowledge?—Yes; when I saw the account in the paper, I wanted to see whether it was the fact or not, and I took some bills to the branch Bank; I have had an account there for 18 or 19 years; I selected about 1,000*l.* of bills, and they were all under the time I had heard talked of, except one bill; I believe it was on Smith, Payne and Smith, or on Glyn—it was a bill for about 200*l.*, and it had about two and a half months to run; I went to the Bank and said, “Do you give up discounting, or do you continue to discount?” the agent was not there, but his deputy was there, and he said, “You are aware of the change?” I said, “No, I am not;” he then informed me that they had advanced the discount one per cent., and also that they could not take any bills longer than a certain date. He said, “If it is a matter of any serious importance to you, we can manage to discount the bill somehow or other;” I said, “Not the slightest;” I took it back; I merely did it to try the question.

1264. The objection was to the date of the bill?—Yes, it was as good a bill as could be made.

1265. At what rate does the branch Bank of England discount generally, as compared with the Bank of England?—The rate is the London rate, with the addition of half per cent. for bank bills, and one per cent. discount for general commercial bills.

1266. You are quite sure of that?—I am certain of it.

1267. *Chairman.*] Will you proceed to state to the Committee, after April how long did the commercial pressure continue in Birmingham?—The pressure was mitigated very much after April; the Bank extended their discounts from 30 to 60, and subsequently 90 days, or three months, in the month of June; still the rate of discount remained, as far as my recollection serves me, at 6 per cent. or 6½; things went on pretty quietly; there was very little effect produced by that; the difficulty of April was very short and it was forgotten, except by a few prudent men; the majority went on with their trade. Then, in the month of August, the failures commenced in the corn trade, and credit was affected by that, and subsequently bullion continued to be exported and the Bank was obliged to take the measures which they did take, and that brought down a great many large houses in the East India and many other trades, and of course then trade was generally paralyzed all over the country, in Birmingham as well as the rest of the country.

1268. Have you had many failures in Birmingham?—No, very few comparatively; that arose partly from the tradesmen themselves being very careful, and partly from what I have mentioned, that the small amount requisite to keep a Birmingham man on his legs affords a greater facility for obtaining assistance.

1269. Do you consider generally that those houses which have failed in Birmingham were houses that failed in consequence of the pressure, or that they were in a state which would ultimately have led to their failure?—There is only one house in Birmingham which has failed that is worthy of mention, and that house failed in consequence of Mauritius and East India bills coming back; that is a house of the name of Barnes; there have been some failures in the iron trade since then in the neighbourhood of Birmingham.

1270. Will you have the goodness to state what, in your opinion, were the causes of the commercial difficulties of 1847?—I consider that they may be traced, first, to the potato blight in the summer of 1846; and then there was a great deficiency in the oat and barley crop of England, and I believe throughout the whole empire. In consequence of the general deficiency, cereals of every description were imported; the balance of trade was turned against this country, and large amounts of bullion were exported, and the Bank was obliged to act in the way they did; they had no alternative, and I must beg leave to say that I do not find any fault with the Bank; they acted according to law, they could not do otherwise than as they did. In the months of October and November last, when things were at the very worst, the Bank did every thing they possibly could to sustain the commercial classes.

1271. Do you consider the speculations in railways to have been one of the causes of difficulty?—I do not; I think the effect was that some 200,000 or 300,000 persons were being employed on railways who might have been otherwise in

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in the workhouse, and they may have been more comfortably fed and clothed, and there may have been more importations of food, and perhaps of little luxuries for themselves and their families, than they would have been otherwise, and that may have added to the balance of trade against us; but except in that way I do not think the railways have affected it.

1272. You state that you do not blame the Bank for its conduct; do you mean to say that you approve of the conduct of the Bank previous to those difficulties?—No; I think that they made a mistake in not shortening their discount, or increasing the rate in the months of October and November 1846; it was obvious then that the state of affairs which did afterwards come on must come on, but I have always supposed that they were influenced by a wish to assist the Government in making the loan, to make it on the best terms they could; and if the Bank had shortened their discounts six weeks or two months before that time, the loan could not have been made at the price it was.

1273. What is your opinion of the effect of the Act of 1844 in producing these difficulties?—I have no doubt that the Act of 1844 to a very great extent caused the sudden difficulties in April, and still more those of October; but if there had been no Act of 1844 the difficulties might have taken place, but I think they would have been less sudden; I have no doubt that the Bank would have extended the time to the parties instead of suddenly refusing to discount, as they were compelled to do under the Act of 1844; I think they would have acted more in the manner they did in 1838 and 1839, it was more gradual.

1274. Supposing the Act of 1819 had been in operation, but not the Act of 1844, what do you consider would have been the result?—The eventual result would have been much the same, except that parties who were solvent would not have been ruined, and many respectable persons who have suffered most severely, though they have not appeared publicly to suffer, would have been saved an enormous loss of their property, in consequence of being obliged to sell their property at any price to meet their engagements.

1275. You think that the difficulties would have been much mitigated?—I do.

1276. Do you consider that the note would have continued convertible under the Act of 1819, without the Act of 1844?—I think not; if there had not been the Act of 1844, I think the note would not have been convertible. The Bank would not have had more than 6,000,000 *l.* or 7,000,000, and the drain was much larger than that amount; and, therefore, I do not think they could have maintained convertibility.

1277. Are you then of opinion that it would be advisable to repeal the Act of 1844, leaving the Act of 1819 still in force?—As far as I can judge, it would not be advisable to repeal the Act of 1844, leaving that of 1819 in force, which makes the note convertible.

1278. Will you now state to the Committee what your opinion of the Act of 1819 in combination with the Act of 1844 is?—The Act of 1819, in combination with the Act of 1844, has a tendency eventually to lower all prices here to the continental level; there can be no doubt of that; it has not done so hitherto, but it must do so now that the system of free trade will be completely carried out from the 1st of February 1849, and every thing will come in contact with foreign prices.

1279. Will you explain how that is to take place?—As I understand, all property of every description, and all goods and merchandise being allowed to be imported or exported free of duty, it will be impossible to maintain any higher price here, beyond the cost of transit and insurance, than the price in the rest of the world, and there must still be a very marked difference of price, as compared with the present price, before you can arrive at the continental level of prices.

1280. Do you conceive the Act of 1819 to have been actually in full operation yet?—The Act of 1819 has been in operation with regard to all articles and produce here that have come into competition with foreign articles and produce, but not as regards articles which have been hitherto protected in this country; for instance, the average price of corn in this country has been between 50*s.* and 60*s.*, and the average price on the continent of Europe has been between 35*s.* and 40*s.*; with regard to manufactured goods it is the same; hitherto we have had some advantage in manufactured goods, because the Continent was in such a

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1281. What course then would you recommend with a view to remove the objections which you state to the Act of 1819?—There are two difficulties; there is the difficulty, first, of the standard of value adopted in 1819, and then there is the difficulty of working that standard, supposing it to be correct; as far as the Act of 1819 is concerned, believing, as I do, that it has been carried out only to half its extent, I should recommend an investigation as to how far it was just or unjust, and whether it was founded on correct calculation or on error; and if it should be proved, as I believe it would, that it had been founded on error, in supposing the alteration was only 4 per cent., and it should turn out that the eventual alteration in price of most commodities would be nearer 40 than four, and that we had not yet made progress more than half way, then I should recommend that it should be investigated, whether it would be easier and most suitable for the wants of the country to go forward or to go backward.

1282. Taking your supposition for granted, that upon such an inquiry we should find that the Act of 1819 was incorrect, is it your opinion that the Legislature should go forward, or that it ought to retrace its steps?—That is, whether the Bill should be maintained in force without any change, or whether we should retrace our steps? it is a difficult matter to go backward, but I am afraid that it is still more difficult to go forward, but till we have investigated the matter and have some basis to act upon, I should not like to give an opinion; I do not see how it is possible to go forward, for with a rate of prices equivalent to the prices of produce and commodities on the Continent, I do not see how it would be possible to raise a revenue sufficient for the wants of the State.

1283. What are the advantages which you contemplate in retracing your steps?—I am not certain of the extent of advantage in it; I admit the difficulty of retracing our steps, and in any case you must do injustice, but there would be this advantage: you would relieve the hardness now pressing on society, and enable them the better to compete with the rest of the world; at the same time I must guard myself from recommending that you should go backwards until you have ascertained, by this investigation, that you cannot go forward or stand still, as I think there is no doubt you cannot.

1284. You see the difficulties of going backward, the difficulties of standing still, and the difficulties of going forward; but I do not think you have informed the Committee which you would choose?—I do not like to legislate upon theory, and it must be theory unless I have something tangible; if it was found on investigation that you could not go forward, I should have no doubt that you must go backward. It might be a question which plan you should adopt, which would be the most feasible, and cause least injury.

1285. What is the monetary system which you would adopt, supposing it were in your power to settle this matter now, without any of the practical difficulties which encumber the case?—It is much more easy to act upon a new principle than to go back to one abandoned.

1286. Supposing you had a blank sheet of paper to write down your plan upon what would your plan have been?—My plan would have been in 1819 to have taken the actual value of the pound sterling at the time I should have estimated the actual value of the pound sterling, and taken that value payable in silver or gold—the double standard at the option of the payer.

1287. Would you have issued notes convertible at the option of the holder in gold or silver?—No; the notes would have been merely what they are at this moment, except that they would have been payable in the joint standard instead of the single standard of gold.

1288. Would they be convertible by the bank which issued them?—By the party issuing them, whether it would be the Bank of England or a national bank; whatever body might be appointed.

1289. That would be a paper convertible currency?—Yes; convertible into silver and gold, just as it is now, except the double standard.

1290. With the simple difference that the notes would then represent a smaller quantity of metal?—They would then represent the quantity of metal which was worth 1*l.* at that time, so as not to interfere with either the public creditor or the public debtor.

1291. Mr.

1291. *Mr. Cayley.*] How would you measure the actual value of the pound sterling?—By ascertaining the quantity of corn that an ounce of silver would have bought, or by taking some half dozen commodities, because corn might be accidentally higher or lower; and in this manner you might have ascertained the value of the pound.

1292. You are aware that in measuring the actual value of the pound sterling in gold, there was not the difference that you speak of?—As far as I can judge, it would make no difference whether it were measured in gold or silver, excepting that a double standard would be better for the country than a single standard of gold.

1293. The price of gold had fallen before 1819?—It had fallen in expectation of the Act of 1819; the exchange fell rapidly.

1294. In consequence of that measure?—In consequence of the expectation of the renewal of cash prices at the value they were renewed at.

1295. That created an artificial rise in the price of gold?—Yes.

1296. *Chairman.*] Your plan would have been to have had a convertible paper representing a smaller quantity of metal?—I should say, as far as I can speak, without such an investigation as I recommend, that the amount of the pound sterling at that time would have been about 13s. or 14s. of the present money.

1297. *Mr. Howe.*] In 1819?—No, at the end of the war; in 1819 there was very little difference indeed.

1298. *Chairman.*] You are not an advocate for inconvertible paper money?—I never advocated it, because I know that it is directly in opposition to the general feelings of society, but speaking individually, I never saw any thing impracticable in it.

1299. But what would be the system that in your opinion would work best, independently of the prejudices and feelings of particular people?—If it were an abstract question of what is the best currency that could be formed, I have no hesitation in saying that an inconvertible paper currency would be the best; but I should never recommend it in this country, because I know the strong feelings of the people of the country against it.

1300. Will you state what is the inconvertible paper currency, that you think is the best?—A paper currency inconvertible into any money whatever, and to be issued by the State in limited quantities, so as not to cause depreciation.

1301. How would you limit the issue?—It must be ascertained by degrees; you must ascertain what quantity of circulation the country actually requires without depreciation; that might be easily ascertained; I see no difficulty, myself, in ascertaining it.

1302. Will you have the goodness to state how you would work such a currency?—I think what we have now inconvertible might be commenced with; the 14,000,000*l.*, which though nominally convertible, is in fact not convertible; and of course I understand, that in such a case, the Bank of England are not to issue legal tender notes; the only notes would be those issued by the Government, the Bank being indemnified for any loss that arose.

1303. You would have a Government department for the management of the issues?—Yes, perfectly independent of the Chancellor of the Exchequer for the time being; a board appointed by Parliament.

1304. They would issue, generally speaking, legal tender notes inconvertible?—Yes; to meet the wants of the general circulation of the country.

1305. How are they to regulate the quantity that they are to issue?—Expressing an off-hand opinion, when the proper amount of circulation is once ascertained, it should be regulated according to the population of the country; as the population increases the circulation should increase with it; but I should commence with the 14,000,000*l.*, and then I should increase it gradually, replacing the Bank of England notes with national notes till I saw a tendency to depreciation, at which point I think it ought to stop.

1306. You would gradually issue those notes till the gold disappeared?—I do not wish the gold to disappear; I say in lieu of the Bank of England notes.

1307. Would the effect be, that gold would disappear?—I do not see why it should be so.

1308. Your object would be to prevent depreciation; how would you accomplish that?—I would continue to issue notes as long as I found that the pound sterling in paper would obtain as much of the average of commodities as 20*s.* in silver according to the present standard.

P. H. Munir, Esq. 1309. What do you mean by "the average of commodities"?—For instance, if I could buy this inkstand with a paper pound, and I could only get the same for a silver pound, I should consider it not depreciated.

1310. Then you would measure the value of the paper by comparing the price of silver with your note?—I would ascertain that there was nothing issued beyond what the country wanted. Supposing a bushel of wheat to sell for 5*s.* silver, and 6*s.* paper, it would be quite evident that the paper was depreciated, and that there was an excess of issue; if you had ever gone so far as that, you would have to retrace your steps.

1311. You would have to withdraw a certain number of notes?—Exactly.

1312. The management of that department must be entirely independent of the Bank?—Yes, and entirely independent of the Government.

1313. Have you any thing further to state with reference to your plan?—No; this is not a plan I recommend under the present circumstances of the country; I have been asked the question, and I say, I believe it is perfectly practicable; I see no difficulty in it; if I had been asked what I should recommend, short of such an investigation of the Act of 1819, I should recommend the Bank to be divided, the banking department from the issue department; the issue should not be left under the control of the Bank, which should be indemnified for the loss, and national notes should be used instead of bank notes, and they should be payable in a joint standard of gold and silver. With regard to the Act of 1844, I think one small difference might be made that would be a great convenience to the agricultural districts, that is, that the local notes should be spread over an average of six months; there is a certain period of the year in which a larger amount of notes is wanted for agricultural purposes.

1314. What is the average now?—I think it is a month or six weeks.

1315. Is there any thing else that you wish to add?—Nothing occurs to me.

1316. *Mr. Herries.*] You stated that it was your opinion that the Bank of England ought to have raised its rate of discount towards the end of the year 1846; are you aware that at that period gold was not leaving the Bank, but that in the month of December, for example, the stock of gold in the Bank was augmenting?—I believe it was.

1317. Under these circumstances, why do you think the Bank ought to have raised its rate of discount?—Because I think the orders for corn that had gone out were notoriously sufficient to turn the balance of trade against this country, and there was a very great probability of such a demand for gold as to turn the exchange; I acted on that principle myself, and very fortunately so, as early as the month of November.

1318. Are you aware that the exchanges at that time were not unfavourable?—They were not unfavourable, but still the orders were gone out for corn, and there was every probability of a large amount of export of gold, and the Bank would have given more time instead of adopting the very sudden measures that they were obliged eventually to adopt.

1319. Then your opinion in that respect is founded upon the circumstance that the Bank should have had reference, not to its stock of gold only, but to the general commercial circumstances of the country?—Exactly; the stock of gold at that time in the Bank was increasing rather than otherwise.

1320. You said that you were of opinion that supposing the Act of 1819 to have been in operation, and the Act of 1844 not to have been force in October 1847, the convertibility of the note would have been endangered; upon what do you found that opinion, being aware, as I presume you are, of these facts, that at the period in question gold was not going out of the country, that the exchanges were favourable to the country, and that the stock of gold remaining in the Bank was above 8,000,000*l.*?—My reason for believing so arises from this: I admit that the exchanges did turn just in the middle of October, although I believe they were artificially turned by the large amount of bills drawn by those houses which were short of money; but with regard to the amount of gold, had it not been for the Act of 1844, I do not see any reason to suppose that the Bank policy should have caused them to deviate from the policy of former years, which would have led them to keep that which was considered a fair amount amount of bullion, 6,000,000*l.* or 7,000,000*l.* I do not think this would have been sufficient to enable them to withstand the demand that would have been made upon them.

1321. But

1321. But was the gold going out of the country at the time?—There was a great deal going out. P. H. Moxit, Esq.

1322. Do you know, from any authentic source, that it was going out?—I know that gold was sent out in September, and I believe in October, and I believe there was a considerable drain in both months. 25 February 1846.

1323. To foreign parts?—Yes.

1324. Perhaps you can furnish the Committee with information upon that which is certainly at variance with the returns that they have; are you not aware that the exchanges at that time were in favour of this country?—I do not find that they were at the end of September or the beginning of October; what you call the exchanges being in favour of this country depends upon the premium on gold abroad; I have known frequently the exchange to be apparently in our favour instead of against us, but the premium on gold has been 3 or 4 per cent. more on the other side of the water.

1325. Supposing the fact to be that gold was at that time coming into the country, and that the Bank was purchasing gold, a fact which you may assume, and that at the period from Autumn to May, when the Bank was losing gold, it was going into the country, do you think under those circumstances the Act of 1819 would have endangered the convertibility of the note more than the Act of 1844?—I do not admit that because the Bank is purchasing gold the balance of the exchanges is in our favour; they were obliged to do that in 1839, when the balance of the exchanges was not in our favour; but whether gold went out of the country or remained in the country, provided the gold left the Bank, the Bank would have been in the same dilemma, and could not have paid their notes with gold; they lost 8,000,000 £ or 9,000,000 £, and if they had had only 6,000,000 £ or 7,000,000 £, there must have been a deficiency.

1326. Are you not of opinion that it is of very material importance for the Bank to consider whether the gold is going out of the country or going into the country?—I admit that there is a great difference.

1327. When it is going into the country, do you imagine that that is owing to an apprehension on the part of those in the country who require gold from the Bank?—There is no doubt it would arise a good deal from apprehension.

1328. Do you imagine that the raising the rate of discount by the Bank under those circumstances, would have a tendency to increase that apprehension?—The raising the rate of discount would increase the apprehension.

1329. Then that would have a tendency to increase the drain of gold into the country?—Yes; but in the month of December 1846 the Bank had the power to check it, and there was more danger in their increasing the rate suddenly from four per cent. to six per cent., than there would have been in increasing it gradually in the ordinary course of business.

1330. Mr. Hume.] You stated that you approved of the Act of 1844, and that you would not, if you had the power, repeal it?—I think that that Act is necessary, in order to secure convertibility.

1331. Are you aware that that Act consists of two parts, one for establishing a bank of issue, to insure the convertibility of the notes, and the other for restricting the general circulation of notes in the country?—I am aware of it, but when I made the remark, with regard to the Act of 1844, I alluded to the issue of notes principally.

1332. Then is it your opinion that, as regards the restriction that that Act imposes upon the issue of private banks in England, it has been beneficial or otherwise?—I doubt whether it was necessary; I have always noticed, and I have been so informed by all private bankers, that it was impossible for them to keep out a larger quantity of notes than the public required, and that if they attempted to issue more notes they would come back upon them.

1333. In that respect the Act was not wanted?—I should doubt whether it was; I should hardly like to give a positive opinion, because the object of the Act was to give a control to the Bank of England over the issues; if that was necessary, then the restriction was wanted, but I do not think that it was necessary.

1334. You have stated, that you would prefer the issuing of paper, convertible into silver; will you explain what you mean by taking the value of five or six articles in conjunction with silver in order to fix the value of your pound note?—I can explain it most easily in this way: suppose that, at the termination of the war, a bushel of wheat was worth about 8 s. or 9 s., I would coin the ounce of silver at that rate.

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1335. What

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1335. What would the pound have been?—The pound would have been proportioned.

1336. Two ounces and a half?—Yes, or it would, perhaps, have been rather more; it might have been about three ounces.

1337. You stated that, in the proportion of the difference in the price of corn and paper, you would go on withdrawing paper provided the price of corn rose?—You are alluding now to the suggestion which I was obliged to make in consequence of the question of the Chairman as to what I would recommend as an abstract plan of currency; that is a different question from the other.

1338. You stated that, if the bushel of wheat was 5*s.*, and the ounce of silver was 6*s.*, taking that as a standard, if wheat rose to 6*s.*, that would be a sign that the paper was depreciating, and you would withdraw a certain proportion of the paper?—I said it would be a proof that there was a larger quantity of paper than the country required; if the bushel of wheat sold for 5*s.* silver, and 6*s.* paper.

1339. Supposing the price of wheat went on increasing to 7*s.*, or 8*s.*, or 10*s.*, as it did last year, would you continue to withdraw the paper?—Certainly not, because the corn would increase in silver value as well as paper value; but, whenever the paper produced less than silver, I would withdraw paper in order to make it equal to the value of silver; but, supposing the bushel of wheat rose to 7*s.* silver, and 7*s.* paper, there would be no depreciation of paper as against silver; you would get so much wheat for 7*s.* silver, or for 7*s.* paper; my object would be to secure that the paper currency should buy as much of any other article as the silver currency.

1340. Then the corn becomes the standard, and not silver?—No, the silver becomes the standard; a good or a bad harvest may cause corn to rise or fall; but whenever you were able to obtain less of an article with a pound of paper than you could with a pound of silver, then I should consider that the paper was depreciated; but if you could obtain as much with a pound of paper as you could obtain with twenty shillings of silver, I should consider that the paper was not depreciated; there is no depreciation as long as paper will buy the same quantity of any given commodities as the silver will buy.

1341. You were asked on the subject of retracing your steps, and you said that it would relieve the burdens that press on society; what burdens are those which press on society, and which it would relieve?—The burden of all fixed payments, public and private, town debts, county debts, taxes, and debts of all descriptions.

1342. Private debts?—Yes.

1343. In that way you would pay the parties with a currency less than the value at the time those engagements were formed?—I did not recommend that; I said that if you were forced to go back you would be obliged to do that, but I object to depreciation altogether if it can be avoided.

1344. Mr. Thorneley.] You mentioned that you had resided for a considerable time on the Continent?—I did for years.

1345. Are you acquainted with the monetary system of Hamburg?—I am.

1346. Will you be kind enough to state in what way the monetary system there is conducted?—There are two monies in Hamburg; there is the current money for ordinary purposes, and there is what is called "*banco*," which is 25 per cent. better value, and which represents silver deposited in the Bank of Hamburg; there are no notes issued at all.

1347. In what way does a person, having a lodgment in the bank, draw it out?—By "*writing off*," as it is called; there are certain forms in which you write, "*Give to Mr. So-and-so, so much banco*," and that is the way the bills of exchange are paid; I never knew money used, and I do not think it is according to law.

1348. Then the commercial obligations at Hamburg are discharged by cheques which transfer payments to the debt of one party and to the credit of another?—Entirely so.

1349. The commercial transactions of Hamburg are to a very great extent, and it is a large and important city?—It is a very important town indeed, and there is a very large trade there.

1350. What was the state of commercial affairs in Hamburg, during the last year, at the time of our panics in April and October; were they subject to the same embarrassments, or to greater or less embarrassments?—They were subject to less embarrassments than we were, and had it not been for the return of commercial bills going back from this country, I think they would not have felt any panic at all.

1351. Then

1351. Then you think Hamburg, under that system of transferring payments at the Bank, would have had no panic last year, but for the return of the bills of exchange drawn upon England?—I do not think they would.

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1352. What is the ordinary rate of interest at Hamburg on the discount of bills?—The ordinary rate upon commercial Bills is pretty nearly the same as in London; it is generally rather lower on the Continent than it is here; I have frequently discounted on the Continent in preference to discounting in England.

1353. When the Bank of England was discounting at 8 per cent. in October last, do you know what the rate at Hamburg was?—I believe the highest it ever went to was 6 or 6½ per cent., and that for only a few days.

1354. What should you say was the rate of discount at Hamburg from the beginning to the close of the year 1847?—It would be merely a guess, if I were to give an opinion.

1355. But it is ordinarily lower than it is in London?—Yes, and in Frankfort rather lower than in Hamburg; I should say the rate of interest generally in the northern part of Europe was lower than it is in England or in France; that is my impression, but at the moment I have not any data to go by.

1356. *Mr. Copley.* You say that the Bank of England did not begin to put on the screw early enough in 1846?—Quite early enough for me, but I think not early enough to prevent the suddenness that took place in their action afterwards.

1357. Do you think it absolutely necessary for the Bank to put on the screw in order to create a turn in the exchanges?—I think it is absolutely necessary; as long as the Bank issue is under the control of the Bank, they must be looked to as the responsible parties to control the monetary affairs of the nation.

1358. What is the natural process of the exchange becoming adverse to a country?—The exact process is this, that at first there are larger amounts of imports than of exports, and the consequence is, that the bills of exchange drawn upon this country are more than those drawn the other way; there are more bills drawn than are wanted to pay for transactions, and the exchange falls in consequence of the supply being greater than the demand; that fall goes on till it becomes a matter of advantage by one or one-and-a-half per cent. for the billion dealers to remit hullion, and he or they remit as long as it answers their purpose and pays them a good profit, and no longer.

1359. Would not the natural effect of a large excess of imports, at a time when there was a diminution in the exports, rather tend to create a fall in the price of imports?—I do not see why it should, except by the natural process of the export of hullion causing the Bank to operate.

1360. Without taking into consideration the hullion at all, if higher prices in this country encouraged an excess of imports, and at the same time discouraged exports, would there not be in the fact of the discouragement of exports, and the diminution of the export trade, a tendency to diminish the consumption of imports, and by that process would there not be a fall in the price of imports?—I do not see that that would be so; as long as there is prosperity in this country, the imports will be as much as is wanted for the consumption of those who can afford to buy them.

1361. If there were a check in the export trade, would the consumption of imports remain the same as it was before?—If there were a check in the export trade, that or any thing else, if it created a difficulty in the country, would check the import trade, but not otherwise.

1362. Then that is a simple process by which eventually the balance of trade would be turned in our favour?—As long as the imports are more than the exports, I do not see how there can be any natural process of that kind.

1363. If there is a check in the export trade, and there is a continuation to a certain extent of manufactures for export, will not that have a tendency to diminish the price of exports?—Eventually it will.

1364. And by that process it might become a matter of interest to the foreigner, at that lower rate, to buy our exports?—It is possible it might, but it would take a long time.

1365. It would be a far longer process?—Yes.

1366. But you recommend the Bank to undertake a slower process of rectifying the exchanges?—That would have occupied only a few months; but I think that this process would occupy a much longer time. We have never had a state

P. H. Muntz, Esq.—of what is called commercial prosperity, and a larger amount of imports than exports, without having a permanent amount of circulation; as long as that amount of permanent circulation remained, it would be very difficult to bring down prices in England. I think in 1836 and 1837 there was a very large advance in all manufactured articles, and that large advance prevented exports to a very considerable extent; but still the prices did not fall, and imports went on.

1367. How do you account for that?—Though some individuals who carried on trade with foreign parts might be inconvenienced and lost part of the trade, still the average of society did not feel sufficient injury from that to be compelled to reduce the prices.

1368. Is it an essential part of the present system that the rectifying of the exchanges diminishes the comfort of the working classes?—I think it is; if the working classes are to be fed and clothed and kept comfortably, you must import more than you export, and the more you import, the more is the balance of trade against you; we have an instance of that in the consumption of 1846-47, which was very great.

1369. Is it necessary with the present system to have these periodical convulsions?—I fear it is.

1370. Why?—I do not see how you can have a circulation with an intrinsic value, and at the same time prevent that circulation being exported when it becomes a commodity.

1371. Then you consider that the paper part of the circulation has a tendency to escape from the metallic part of the circulation?—There is no doubt of that.

1372. Do you believe that that has been the case under the emergency that we have suffered from in the last year?—I have no doubt that the paper circulation in the year 1846 depreciated the value of the pound sterling, for the pound sterling becomes of less value when you can buy less with it.

1373. Did that tend to increase the price of the imports here?—Of course it did.

1374. Did that discourage exports?—It would do so necessarily.

1375. The balance of trade then would be against us?—That would tend to increase the balance of trade against us, which was brought about by a large supply of food.

1376. Is it not a necessary part of the present monetary system that the paper should fluctuate in quantity with the amount of bullion?—Of course, it must be so; the Bank has to act upon the exchanges.

1377. Suppose there were no paper, and the circulation should fluctuate with the amount of the precious metals, would the tendency be to have cheaper money at one time, and dearer money at another?—If there were nothing but bullion, and you were to increase the quantity of it, say double it, you would lessen the value of the pound sterling; and if you were to double the quantity of money, the extent value of all commodities would rise in proportion, although, perhaps, not to the full

1378. The amount of bullion in this country having been 16,000,000 *l.* in 1844, suppose the circulation to have depended upon that without any paper, would not that have created a tendency to make the currency at that time cheaper than it was when the amount of precious metals was only half?—If there had been no paper at all, of course there would have been 16,000,000 *l.* in circulation instead of 8,000,000 *l.*, and it would have made a difference in the value.

1379. If the currency were purely metallic, there would be a tendency to the same fluctuations as there are now, with a mixed metallic and paper currency?—There is no doubt that there will be always fluctuations when there is an intrinsic value; for instance, suppose there had been 2000,000 *l.* of bullion, nothing but bullion, in the present year, and 6,000,000 *l.*, or 8,000,000 *l.* or 10,000,000 *l.* had been exported, the Bank would have had then only half the means of accommodating the commercial classes that they had before, and the pound sterling would have been raised in value.

1380. If we had a metallic circulation, and there had been 16,000,000 *l.* of that in 1844, and only 8,000,000 *l.* in 1847, would not great distress have been occasioned?—No doubt of it.

1381. Do not you think that these great fluctuations in the amount of the currency, and in the rate of discount, are very injurious to the industrious classes?—Undoubtedly; they are very injurious, to the morale and condition of the working classes in particular.

1382. Do you see any means of preventing them under the present monetary system?—No, I do not.

1383. Do

1383. Do you see any possibility of preventing them under any other system?
—Yes; I think they might be prevented to a great extent.

1384. Will you state to the Committee under what system those fluctuations could be prevented?—I think with a well-conducted and well-regulated paper currency, inconvertible, they might be almost entirely avoided.

1385. How would you rectify the balance of trade?—That is a very simple process; suppose there were 20,000,000*l.* of notes in circulation, (you would want more than at present, because you must have small notes; if you had nothing but paper currency, you must have notes as low as 2*s.* 6*d.*); suppose the balance of trade against this country were eight or ten millions, as it was, the exchanges would then take the course that you always find they take where there is a greater supply than demand; the exchanges would fall; they frequently fall about two, three, and four, and even five per cent., when gold had to be remitted in payment of the balance of trade; the exchange (with inconvertible money) might fall 7½ per cent., but I am perfectly certain that the 7½ diminution in the price of English goods and produce, and 7½ increase in the price of foreign goods, would turn the balance of trade in a very few weeks.

1386. Has the present system of our currency at all acted in a prejudicial way to our foreign trade?—I think that it has.

1387. In what way?—By altering the rate of exchange, it has caused the foreigner to pay more foreign money for a pound worth of English goods than he did before; but he will not continue to do so, and therefore you are obliged to sell English goods at less English money, to produce the same amount of foreign money that he was accustomed to pay.

1388. You think that the present system has led to a sacrifice of English goods?—It has injured us; in the summer of 1814, soon after the war, the French exchange was nearly 23 (it was 22.80), the Frenchman having to buy 2*l.* of English goods, would have paid 46 francs; now he would have to pay 52 francs; of course he will not pay the 52 francs, but he will make us reduce the price of our commodity to the same rate as at the present exchange will leave him to pay 46 francs.

1389. Under the present circumstances, how is the export trade affected as regards foreign competition?—It depends very much upon the article; with regard to some of the articles which we formerly exported to the Continent, the manufacturers, by ingenuity and perseverance, have surmounted their difficulties; they have worked at a lower price; but still a large quantity of foreign manufactures are sold chiefly to North and South America and the colonies, and some to India; our trade with Europe has fallen off considerably.

1390. Since what time?—Ever since I have known it; every year it has been falling off.

1391. To what do you attribute that?—To the great increase of foreign manufactures and the supply of our goods being superseded by foreign goods.

1392. Does that apply to the Birmingham trade?—Very much indeed; I know the Birmingham and Sheffield trades more particularly, and I know that it applies to them, and to the cloth trade.

1393. Speaking of the trades with which you are acquainted, it applies to those?—Yes, it applies to all of them.

1394. Do you think that the foreigner is gradually superseding you in neutral markets?—In all markets that I am connected with, he is superseding us.

1395. And in the home trade is he also superseding you?—He is; I asked a manufacturer yesterday in Birmingham, celebrated for buttons, and he says they have in their warehouses in Manchester principally foreign buttons, and that almost all the metallic buttons that they are selling are German; he says that he could get them much cheaper than his own manufacture.

1396. Is the button trade a large trade in Birmingham?—It was a very large trade, a most important trade in Birmingham, till the last three or four years, but there is very little doing now.

1397. You have been asked a question with regard to the Act of 1819; supposing contracts to have been liquidated, and the change produced by the Act of 1819 to be over in that respect, and supposing that were the result of the investigation which you recommend; do you think we should go on satisfactorily to the commerce of the country under the present system?—I should doubt whether we could; I do not see how we could.

- P. H. Mordaunt, Esq.* 1398. Why not?—The pressure at present is very great; we have been able to bear it for many years in consequence of the inefficiency of foreign manufactures; but that inefficiency is gradually removed by the removal of the cause of it; the men who lived in the last generation, who chiefly employed English workmen at a high rate of wages, at any price they could get them at, are dying off, and now they are employing foreign manufacturers, who can do the work as well as our own artisans, and who are living at half of our wages, and I do not see how our artisans, if they are to be reduced to the same level, are to consume enough to create a revenue to this country.
1399. You have stated that there appears to be a difficulty in going back, a difficulty in standing still, and a difficulty in going forward; which of those difficulties, in your opinion, is the greatest?—I think the difficulty of going forward is the greatest.
1400. Are you acquainted with the agricultural districts?—A little, but not sufficiently to give any practical evidence upon it.
1401. Are you much acquainted with foreign countries?—Yes.
1402. Have you ascertained their means of supplying us with corn?—To a certain extent I have.
1403. Can you at all estimate the quantity that we are likely to import under the free-trade system?—It depends upon what you want; foreigners have hitherto hardly reckoned upon our consumption; when the old corn laws, in consequence of the peculiarity of their construction, afforded an opportunity for importing corn, there was a sudden demand, and the price of corn rose in all such parts of the continent as were accessible for the purpose of giving a supply; but now that there will be a free and steady trade, I expect large tracts of land will be taken into cultivation, which in former years have lain uncultivated; a great part of Poland, East Prussia, and parts of Pomerania.
1404. You are in favour of free trade in corn, are you not?—I am so far in favour of it, that I think it will produce an investigation of the whole system of the country; otherwise I cannot think that it will produce any happiness to the people of this country; I was in favour of a fixed duty of 5s.
1405. Are you aware of the amount of corn that has been imported into this country in the last 16 months?—I know from report that it is stated to be 8,000,000 or 10,000,000 of quarters.
1406. Supposing half of that were to come in annually, what effect do you think it would have upon the exchanges?—It would depend upon what export you could force; whatever effect it has under the present system, the price of every commodity in this country must be borne down low enough to force exports to an equal amount.
1407. Then you are in favour of the repeal of the Corn Laws very much upon the same principle as you were in favour of the Act of 1844; viz. that you thought it would make the effects of the Act of 1819 more conspicuous?—I think the Act of 1844 is part and parcel of the Act of 1819, and essential to its maintenance; I was in favour of the abolition of the Corn Laws, because I thought it would bring the whole subject of the system of the government of the country before Parliament; I knew that they would be obliged to consider it in the course of a few years, and hitherto it had been invariably avoided.
1408. Do you think that the Act of 1844 was necessary to the Act of 1819, and that they were both in conjunction for the best interest of the country?—No, I do not think they were.
1409. You think that the effect of the Act of 1819 has never been so conspicuous as it has been since 1844?—It has never been so conspicuous as it has been since 1844, but it can never be fully carried out till the system of free trade is in full operation.
1410. How was the Act of 1819 evaded before the Act of 1844 was passed?—By the prohibitory and high duties that existed.
1411. Was it at all evaded by the intervention of Government?—In 1822 it was, and in 1836 by a large issue of notes; and also by another plan of operation, the joint stock banks; a large amount of bills, varying from 10*l.* to 50*l.* more, were issued by the joint stock banks, which operated as circulation, but of course eventually caused a panic.
1412. Was the Act of 1819 evaded by the legal tender clause of 1832?—Yes.
1413. Was it also evaded by the Usury Laws?—Yes.
1414. Those laws have since been repealed?—Yes.
1415. In

1415. In 1847, being under the influence of the Act of 1844, the Bank was crippled in its power of evading the Act of 1819?—Exactly; as far as I see, the Bank could not have acted otherwise than as it did.

1416. In 1847 the Act of 1819 appeared in its full enormity?—No, it will appear in its full enormity when the wages of this country are equal to those on the Continent; the wages on the Continent are now about, for labourers, 10d. a day, and 1s. 3d. to 1s. 8d. for artisans; we have not yet come to that.

1417. Will you explain to the Committee why it happened that between 1815 and 1819, that is to say, between the end of the war and the resumption of cash payments, a considerable fall in prices took place?—I consider that the fall in prices between the end of the war and the Act of 1819 took place in consequence of the general expectation that the Government would resume cash payments, and a withdrawal of circulation by the Bank of England to meet that change which was to take place, and at the same time on the part of private banks the withdrawal to a certain extent operated upon every article and commodity, causing a fall of price.

1418. Did it cause a fall in the price of gold as well as of other articles?—Of course it did.

1419. You have stated that the amount of money should be regulated by the amount of population; will you explain why you entertain that opinion?—After the amount was once ascertained, I said that I thought that would be the best plan; I think it fair that each individual should have a chance by industry of obtaining the same amount of wealth that his father obtained before him; if the population is to be doubled, and the money remain the same, it is impossible that children's children can have more than a part of that which their fathers now have; but the more correct way would be, as before stated, an estimate of an average of commodities.

1420. Would you infer that doubling the population would double the amount of transactions?—It is more likely to treble it, provided the country is well regulated.

1421. Supposing three or four classes of new businesses suddenly to rise up in this country, would the old amount of circulation be sufficient?—It would depend upon what the businesses might be.

1422. Take for instance railways, they have been a new class of business in the last few years; do you think that they have at all interfered with the circulation?—There has no doubt been money wanted for the payment of wages, and of various matters connected with railways, but I do not see that they have seriously affected the currency of the country; the money has changed hands; they have employed a great number of men who received better wages than otherwise they would; probably half would not have received any wages at all, and there has been more money wanted for the payment of those wages.

1423. Considering the question of currency alone; supposing a certain amount of currency before the institution of railways was wanted, would there be more currency required after the establishment of railways than before?—Of course, as every trade increases, there is more money wanted to meet it; the demand depends upon the increase of trade.

1424. Are you acquainted with the foreign system of regulating the payment on railways?—To a certain extent I am.

1425. Can you give any instances with regard to foreign railways; have they established any new system in the payment of wages?—Yes; I know the railway from Dresden to Chemnitz; there was a railway half done; the calls came, and there was a difficulty in meeting them in consequence of the commercial difficulties which extended themselves all over the Continent, and the calls were not paid up; the company issued their own notes, payable in four years, with interest; those were to such a small amount that they paid the workmen with them; the company represented to the Saxony Government that if they did not do that, they would be obliged to discharge an immense number of their workmen, the Saxony Government said that there would be no objection, and the company paid their workmen in that way, and completed the line.

1426. Have any foreign governments interfered by adding to the currency of their country?—Inconvertible paper I know of in no country except Brazil; it has been used there; they have an inconvertible paper currency; but there is a great deal of paper money on the Continent in circulation, and some as low as a dollar; this is a dollar of 2s. 11½d.—[producing a paper.]

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1427. What is the history of that?—This is a note which says "One dollar, in accordance with the law," so and so, giving the date of the law.

1428. Is it a government note?—Yes; a note of the Saxony Government.

1429. Mr. Spooner.] Payable in cash?—Payable in cash or taxes.

1430. Mr. Coyley.] Is this a new circulation?—No; these notes have been in circulation a great many years in Saxony; they have increased the circulation considerably; formerly they were not payable in gold or silver, but latterly they wanted to issue a quantity to pay off some of their Exchequer bills, and the government issued a quantity payable in gold or silver.

1431. Is it a part of that system that they pay their taxes in notes?—Yes; the note is a legal tender through the country, just the same as our Bank of England note.

1432. Mr. Haime.] Can you change it into metal dollars?—Yes; you can at a moment's notice.

1433. Mr. Spooner.] Have you a railway note?—This is one I brought.

1434. What was the origin of this note?—This was in consequence of the inability of the company to complete the line.

1435. Mr. Thorneycy.] What is the value of that?—Ten dollars.

1436. Mr. Spooner.] That is for four years?—Yes; there are four coupons, which they cut off every year.

1437. Mr. Thorneycy.] Did that sustain its value?—It sustained its value till the Government interfered; when they were first issued, they retained their first value in every instance; but the bankers bought them up, and then Government issued an order that nobody should be allowed to buy them, not even the company; then they fell to 10 per cent. discount, but that was not till the company were prevented paying in silver.

1438. Are they current?—Yes; they are payable with 4 per cent. interest; and the disturbance we have had in commercial affairs caused notes which produced 4 per cent. interest to fall to a discount.

1439. Mr. Spooner.] Why did the Government interfere?—They were afraid that these notes might interfere with their notes.

1440. Mr. Thorneycy.] What is the value of the Brazilian currency?—The milrea is worth 2 s. 4 d. at this moment.

1441. What is the value of the milrea in specie?—There is no milrea in specie; it was once, in the time of Dom Pedro, as high as 40 d., at that time the Government of the Brazils was despotic; and whenever the Chancellor of the Exchequer was short of money he issued more inconvertible paper notes, and exactly in proportion to the quantity he issued, the value of the note fell; but in 1830, or the beginning of 1831, the Emperor was driven away from Brazil; and there was a constitutional government established, with two Chambers, on the same system as we have here; and there was a law passed, that the Finance Minister should not issue paper notes without the consent of the Chambers; and unfortunately that consent has been granted twice, and the same depreciation has followed.

1442. What was the original value of the milrea?—Three shillings and fourpence, I believe.

1443. What has the depreciation brought it down to?—The depreciation at one time, I believe during the war, when the Emperor issued paper notes *ad libitum*, was as low as 20 d.

1444. What had been 3 s. 4 d. was 1 s. 8 d.?—Yes; then they diminished the quantity, and they rose to 2 s. 6 d.; then the Chancellor of the Exchequer issued a few more, with the consent of the Chambers, and then they were at 2 s. 3 d.

1445. What is the present value?—The present value is 2 s. 4 d.; they now fluctuate a halfpenny more or less, according to the state of the exchanges.

1446. Mr. Coyley.] Can you conceive a greater curse to a country than such a fluctuation?—I think any fluctuations, up or down, are very ruinous to a country.

1447. Mr. Haime.] In Brazil those notes are inconvertible?—Yes.

1448. And you have stated that in proportion as the Crown or the Government issued those in excess, a depreciation took place?—Yes, as near as may be; I used at one time to take a great interest in the matter; and I got all the accounts.

1449. Are

1449. Are they at par now?—They have never been at par for many years, *P. H. Mestz, Esq*
because, as I just mentioned, when the Emperor had the power of issuing those
notes just as he liked, whenever he was short of money, he issued those notes. *21 February 1848.*

1450. Do not you think that if the same practice was adopted in England of
issuing notes not convertible into coin, the same result would take place as you
have shown took place in Brazil?—I should hope that we could have a Board in
England sufficiently powerful to prevent the Chancellor of the Exchequer issuing
notes in excess. The depreciation in Brazil has been only when there has been
an excess of issue.

1451. Would there not be a difficulty in allowing to any man or set of men
the power of regulating the amount of issue of paper, which, as you must be aware,
affects the price of all property for the time?—I do not see why a power of that
sort should not be given to a Board, as well as to the Bank of England.

1452. The Bank of England has not that power, for the bank of issue does not
require any interference on their part?—What I mean to say is, that the Bank of
England increase or decrease their circulation, or are supposed to do so, according
to the demand and state of the exchanges.

1453-4. That is the banking department?—Yes, but that affects the country
in its issues.

1455. Mr. Cobden.] You said that the Act of 1819 and 1844 would bring down
English goods to the continental prices?—I think they will.

1456. By the commodities being at a lower price, do you mean that it will
make the articles more abundant here?—I do not say that it will; but I think
that if foreigners can send their articles from the other side of the water to this
country, it will very soon bring down prices on this side to the same prices as
one can buy the articles on the other side of the water.

1457. Is there any other way of making an article cheap but by making it abund-
ant?—The price of the article depends upon the demand and supply generally.

1458. Will not the price of an article be cheaper or dearer in proportion to its
more or less abundance?—Not always; we will suppose that there is corn enough
in this country for the supply of the whole population, and that that corn costs 80s.,
and that there is a law that it shall not come in under 60s.; even if there were a
large amount of corn in Hamburg at 35s., the price here will remain at 60s.; but
take away that restriction, and upon the importation of a few quarters, the price
will fall to the level at which corn can be purchased at Hamburg; the very
knowledge of the fact that it can be purchased lower in Hamburg will cause that
fall.

1459. If that were not the law, the price would be the same here as at Hamburg,
with the additional cost of the carriage?—Yes.

1460. If you prevent that importation, do you mean to say that the supply will
be as abundant as it would be if you allowed it to come in?—That depends upon
the harvest here.

1461. If there is as much corn here as in Hamburg, owing to the abundance
of the harvest, none will come; but assuming that you have less corn here than
in Hamburg, and you have a law to prevent corn coming from Hamburg, will
not that make the corn here scarcer than in Hamburg?—If you have not suffi-
cient here for the consumption of the country, and allow more to come in, that
will make the supply more abundant; but if you have a full average harvest, as much
as the country requires, allowing corn to come in will not bring in corn, it will
merely reduce the price here.

1462. Do you think that corn would come in if it were not wanted?—I do not
think it would.

1463. If, then, it did come in, it would be a proof that it was wanted?—Yes.

1464. And if any corn did come in, that would tend to make corn more abund-
ant and cheaper than it would otherwise have been?—The price depends upon
the price at which it could be obtained on the other side of the water; if that
were 50s., the very fact that it might come in would reduce the corn here to that
price, though no quantity was imported. If the price fell to 30s., there would be
a greater consumption than if the price were 60s.

1465. Do you consider that an evil?—No.

1466. Do you consider that bringing prices here to the level of the continental
prices will be an evil?—I do not think it possible that the working classes can exist,
or that we can make our manufactures at those prices, except in some individual

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instances in the cotton trade; there are some parts of the cotton trade that almost defy competition.

1467. You are aware that we have a large exportation of the produce of our manufactures to the extent of 50,000,000*l.* sterling?—Yes.

1468. In all those articles, do we not sell as cheap as the foreigner?—What-
ever we export we must sell as cheap as the foreigner, or he will not buy it.

1469. All we sell at home of the same kind of goods as we export, are sold as
cheap as the foreigner?—I should doubt that.

1470. Do you think that anybody sells his goods for export at a cheaper price
than he sells them at home?—Yes, very considerably; the articles used at home
are different articles from those sent abroad.

1471. But for the same article, would you in your warehouse, or should I
myself, if I had a warehouse in Manchester, ask any person who came to buy,
whether he was going to send the goods abroad or to sell them here, and make a
difference in the price?—No; I mean to say that the artisans here buy a better
article than the manufacturer sends abroad, therefore the manufacturer gets a
better price in the home trade, than in the foreign trade.

1472. But cottons, woollens and linens, and iron, and all kinds of goods that
we export, we sell at home at the same price that we sell them for exportation,
and we sell all those goods as cheaply as the foreigner can sell them?—Yes, in
most sorts of cotton; I believe in all; though I am not acquainted with the trade
in iron, I know that there has been a vast export for railway purposes abroad,
and the demand for iron there has raised prices very much; in woollens, I doubt
the fact, for there are many articles of woollens imported into this country.

1473. Are you aware that our exportation of woollens is considered to be
4,000,000*l.* or 5,000,000*l.*?—I am aware that it is, or rather that it was, and
that it is a large trade.

1474. Agreeing that all those articles which we are exporting we sell as cheaply
as the foreigners do, you think it is an advantage to the producers of those articles,
that the article of corn or other articles produced at home should be at a higher
price than they are abroad?—No, not for those parties who are working exclu-
sively for the foreign trade.

1475. It must be a disadvantage to those artisans who work exclusively for the
foreign trade, or who make goods for the home trade?—Yes, so far as they are
used for the foreign trade; with regard to the home trade I doubt the disadvan-
tage; there is a supply and demand in labour; if the supply of labour is greater
than the demand, then the wages of labour are regulated by the minimum amount
of wages that the men can exist on, and if you increase the capability of exist-
ing on a lower rate of wages, the wages will be lowered to that point.

1476. Are the Committee to understand you to maintain that the rate of wages
depends upon the price of food?—Certainly not; but where the rate of wages,
from the supply being greater than the demand, is at the minimum point at which
a person receiving wages can exist, it depends upon the price of food.

1477. Assuming that you wish to maintain a higher price for articles here than
on the Continent, will you explain under what system of currency you would do
it?—You could only do it by altering the intrinsic value of the pound sterling,
so that the foreigner, instead of having to pay his 25 francs or his seven dollars for
a pound sterling, would have to pay what he did formerly, 18 francs or four dollars;
I am not saying that I wish for higher prices here, but I do not see how it is
possible to collect your revenue with lower prices.

1478. Then it is a question of revenue?—Yes, and a question of monarchy, in
fact; if you could not collect the revenue, the monarchy would be in a queer way,
and the whole of the institutions of the country.

1479. But without regard to the institutions of the country, you would be
favourable to a larger issue of paper than we have now?—Certainly not, without
a larger basis; I think the amount of paper is as much as the country can bear
with the present basis.

1480. If you had inconvertible paper, you would contemplate having more
paper than you have now?—Not unless it was discovered in the investigation
which I suggested, that the standard adopted in the Act of 1819 was an incorrect
standard.

1481. But the facts are before us, and have you not formed an opinion upon
that subject?—I have.

1482. Would

1482. Would your plan recommend a larger amount of paper money?—I cannot say that it would till I had ascertained the fact; I object to legislation upon them; we have had enough of that already, and till I have actually ascertained the fact, I would not take any step; but when I had ascertained the fact to a certainty, then I would increase the paper currency.

1483. You have shown us some bank notes of Saxony, and you are aware that throughout Germany generally they have notes for 2s. and 3s., and a large number in circulation; do you think that has a tendency to maintain the rate of wages in Germany?—I do not think it has, except that to a certain extent it facilitates the carrying on of transactions.

1484. You are aware that the great complaint of the stocking weavers of this country is, that the Saxony weavers are paid much less wages?—Yes.

1485. That is the country where those 3s. notes circulate?—Yes.

1486. It is not the circulation of paper that tends to decide the rate of wages, in your opinion?—Certainly not, it depends upon the quantity of paper; you might circulate paper, and nothing but paper, and have a more wretched state of things than you have now.

1487. You stated that where there was a great surplus supply of labourers, it was that which tended to lower wages?—The rate of wages is regulated by the supply and demand, except in those cases where the supply of labour is more than is wanted, and then it is regulated by the existence price of the labourer; he must work for existence, and he works as low as existence will allow; below that he cannot work.

1488. Whatever may be the law which regulates the rate of wages, you do not consider that a large increase in the issue of paper money, or in the issue of small bank notes, would tend to raise wages; it does not do so in Saxony?—I do not think an issue of paper only would raise wages; if you were to increase the circulation, I have no doubt that might tend to raise wages, by increasing the general prosperity of the country; but you cannot, under the Acts of 1819 and 1844, issue a larger amount of paper than you have issued on the average of the last 10 years.

1489. Mr. Cayley.] Is your population in a lower condition, or less comfortable now, than it was 25 or 30 years ago?—It has generally appeared to be more comfortable when there was a larger circulation.

1490. Were the population ever so much out of employment as they have been of late years?—No, I should say not.

1491. Are they pretty contented?—Wherever they get fair wages they are pretty contented.

1492. In the hope of things being better?—Yes.

1493. Was it possible to get enough of legal tender, during the pressure of 1847, to liquidate the outstanding engagements?—No, it was not possible; it did not exist.

1494. Is that a satisfactory state of things for the country?—No, certainly not.

1495. Does taxation enter into the cost of the goods made by our artisans?—It formerly used to do so, and most properly; but if you take the entire system of free trade, that must be abandoned, because the men here must work at prices that the men do on the other side of the water.

1496. But our producers have to pay the taxation?—Yes.

1497. Out of what are they to pay it?—I do not know; out of their property, I think, seeing that they cannot out of their profits.

1498. If the manufacturers of Saxony have no taxation, or little taxation, they have the advantage, all other things being equal, of manufacturing cheaper than the English?—Yes.

1499. The smaller taxation enables the foreigner to make things cheaper, and thereby he can undersell the English?—Of course he can.

1500. If the English producers, from not being able to make things as cheap, are undersold by foreigners, they will cease to produce?—Yes, in consequence of being undersold.

1501. And the working classes will lose employment in consequence of foreign cheapness?—Yes.

1502. This sort of cheapness, therefore, would be no benefit to the working classes?—Cheapness is a relative term; it is of no use giving them bread at 1d. a loaf, if they have only a halfpenny to buy it with.

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1503. *Mr. Hume.*] Is it not the employment of the labourers, and the wages they receive, that make them comfortable, and not the amount of bank notes in circulation?—It is the wages they receive, and not the amount of bank notes, that makes them comfortable; but the wages depend on prosperity, which again depends on the circulation.

1504. I understood you to say that the workmen were more comfortable when there was a large increase of bank notes?—I meant to say that by reason of the large increase of bank notes there was more prosperity in the country; the manufacturers were able to manufacture more, and therefore the workmen were better employed.

1505. If it should appear that wages were high with a smaller issue of bank notes, would you attribute the comfort of the working classes to the bank notes, or to the higher amount of wages?—The higher amount of wages is of course the cause of the prosperity of the labourer; but whether it be by an issue of bank notes, or gold and silver, provided the circulation be permanently increased, the working classes are benefited.

1506. Do you mean to say that there is no increase of bank notes without an increase of wages?—I do not mean to say that; there is no permanent increase.

1507. Do you not mean that it is the amount of wages that are given to the population generally which adds to their comforts and makes things prosperous?—There is no doubt that good wages make the artisans prosperous; I referred to bank notes in conjunction with gold and silver, as being the cause leading to an increase of apparent prosperity of the country, because I must admit that it has been a fictitious prosperity.

1508. *Mr. Cardwell.*] When the country is increasing its circulation, it is, in point of fact, adding to its liabilities, is it not, in the same way as a person who issues notes is adding to his liabilities?—I do not see that the country would increase its liabilities if it issued notes on Government securities.

1509. Under the system of an inconvertible currency, such as prevailed 30 years ago, the parties who issued those notes were liable to take them up?—Yes, they were.

1510. At the period at which you speak, the parties who issued those notes were adding to their liabilities?—Yes, if they issued their notes without security, they would be adding to their liabilities.

1511. Then a general issue of notes under those circumstances would increase liability?—The general issue of notes without security I think decidedly bad, and it would be adding to the liabilities.

1512. Is not the period at which we get into that state generally a period of great apparent prosperity?—I cannot say that it is.

1513. While a person is spending that which he obtains by borrowing, is he not able to spend for the time a good deal more than he is entitled to spend?—I do not think it can be said that the bankers were issuing money which they borrowed; they issued money which they had ample means of repaying.

1514. I am speaking of the process which goes on when the country is largely increasing its circulation by the issue of paper; is not that a time at which liabilities are largely increased?—That depends upon how the paper is issued. Supposing the Bank were allowed to issue paper on security, either stock, or Exchequer Bills, or land, I do not think the country would be increasing its liabilities.

1515. I am adverting to the case which you spoke of; you say that the amount of circulation was great, and that the people were apparently in great prosperity; if the country is going through the process of having the circulating medium of the country largely increased, that circulating medium being convertible, and having hereafter to be brought to the test of convertibility, in the early stage of the issue, the liability of the country, generally speaking, is being largely increased; is not that analogous to the case of a private individual who is spending, not that which he possesses, but that which he only appears to possess, he, in the mean time, running himself into debt?—I do not think it is; it is only turning that which is fixed capital into floating capital; you have land which is fixed capital; by issuing notes on the security of land, you can convert the land into floating capital; you have notes issued on Exchequer Bills, or on stock, or on *bond fide* property; those notes are merely representatives of those properties circulating for the convenience of society; I do not think that it can be compared to a private individual spending that which he has not got.

1516. The

1516. The land continues both in the shape of fixed capital as land, and floating capital as paper currency?—Yes, the floating capital being employed in order to enable the tillers of the land to make the best of it.

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1517. Does it exist as fixed capital, and also as floating capital, in the shape of paper?—The land exists there; but under a well-regulated system, it could not be made use of for sale, because the title-deeds would be deposited with the Government.

1518. You maintained that you increased the national wealth, because you have left the land as you found it; and besides that, you have added to it the floating capital, or the paper which represents that land?—I must beg to be excused; I have not said that you increased the national wealth; I have only said that you increased the means of transferring the national wealth.

1519. I understood you to say that you had converted the fixed property into floating property, or money?—Yes.

1520. It is then no longer fixed capital?—It is not saleable in any way, therefore it is not fixed capital.

1521. And you have annihilated the land?—The land remains there, but is security for the notes in circulation.

1522. Mr. Cayley.] Could the metallic basis be enlarged so as to allow the same circulation as existed in 1845 to be maintained permanently?—I am not certain what the circulation of 1845 was.

1523. Did a general improvement of the working population and general prosperity exist at that period?—Yes; the people were tolerably well off; I cannot speak to there being a great degree of prosperity.

1524. Have you any doubt that the circulation was considerably greater then than it is now?—I believe it was; but I have not any reference at the moment.

1525. Supposing it to be so, could the metallic basis be so enlarged as to allow the same circulation as existed in 1845 to be maintained permanently?—I do not think it could, if you were to enlarge the metallic basis ever so much; if you had a circulation sufficient to keep the country in a state of comparative prosperity. The amount of the consumption of the country is so great that the imports would turn the balance of trade against you, unless by some means, to me unknown, you could stimulate the exports accordingly.

1526. If the metallic basis were increased to 30,000,000*l.*, could we maintain the circulation of 1845 permanently?—No, for still there must be fluctuations; you might lose 10,000,000*l.* by the imports in case of a bad harvest.

1527. Would it be necessary to have the paper fluctuate so much according to the variation in the amount of bullion as it does now?—Yes; if the metallic basis were enlarged in any way, it would be requisite to cause such a state of pressure as would lessen the imports of foreign produce.

1528. You do not see any other means of getting out of the periodical pressures which you have adverted to, except by a regulated inconvertible paper currency?—To get rid of the fluctuations entirely, I do not think there is any other means; but the fluctuations might be modified.

1529. Those fluctuations are most fearful to the working classes, are they not?—Yes; no one who has not witnessed them, can conceive what they are.

1530. Mr. Beckett.] We have referred to convertible and inconvertible currency; do you think that any system of currency, convertible or inconvertible, can be devised, in which occasional periods of commercial distress will not arise, as long as commercial transactions are entered into by parties almost without limitation and beyond their means?—I do not think it possible; I do not think that any system of currency that any human being can devise can correct the follies of mankind; there are always some people who will speculate beyond their means, but under a proper system there would not be whole rows of perfectly innocent people knocked down as there have been lately.

1531. Mr. Thorpe.] You have spoken of time past, so long ago as 35 years; were there not periods of commercial distress at that time, though the notes issued by the Bank of England and by private banks were unrestricted in their amount, and were inconvertible as to bullion?—I alluded to something 20 years back; I am not old enough to speak to what occurred 35 years ago, but there have been periods during that time when paper was inconvertible, and when there was great distress; for instance, in 1816 and 1817; the Bank was then preparing to resume cash payments, and there was a very severe pressure in consequence of that preparation; there was a great withdrawal of circulation at that time.

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1532. Mr. Spooner.] With regard to the present state of Birmingham and its neighbourhood, did you, in all your experience, ever know it so depressed as it is at this moment?—No, I never knew the distress to be anything like what it is at this moment.

1533. Are commercial transactions in Birmingham such as to almost justify you in saying that they are at a stand?—Pretty nearly so.

1534. Can you see anything that is likely to alleviate that state of distress?—No, I do not see the most remote prospect of it.

1535. Supposing confidence should again be restored and merchants should begin to order, and manufacturers begin to execute, and at the same time the present monetary system to exist, do you think that prosperity so engendered could continue?—I do not believe it could; I do not see myself how it could.

1536. Has it not literally been the case that a time of prosperity has been coeval with a large issue of paper?—A time of what was called prosperity has generally followed a large issue of paper; the issue of paper commences first, and that causes joint stock companies and other trades to rise up, and eventually the circulation gets into the general channels of trade.

1537. And then does the price on this side of the water get so high that gold leaves the country instead of our manufactures?—Generally it is the case.

1538. Under that system, do you think it possible to put the working population of the country in such a state as to enable them to consume sufficient to keep up the revenue of this country, provided the range of foreign prices be maintained?—I do not think it is possible.

1539. Then, in point of fact, when you talk of the difficulty of going forward, does it not amount almost to an impossibility?—I do not like to use exaggerated expressions, but I am afraid there is an impossibility of carrying out the Act.

1540. Has the Act of 1819 ever been carried out to the extent to which it is sure to be carried out if it goes on?—I should say only to one-half the extent, according to my estimate.

1541. Do you mean that if the Act of 1819 is continued to be persevered in, the prices of labour, and of commodities generally, and the property of this country, have not come down one-half way to the level to which the continuance of the Act of 1819 will bring them?—I think they have not; some have, but prices generally have not.

1542. Mr. Cayley.] Do you think when that time comes that the institutions of the country will be in a satisfactory condition?—I think not.

1543. Mr. Hume.] Will you explain what you mean when you say that prices have not come down more than one-half?—I consider that the prices under the Act of 1819 will have come down to their full extent only when the ounce of gold can buy in England as much as it can now buy on the continent of Europe; when the prices of all commodities in this country shall have fallen to such a level as that the same amount of silver will buy the same quantity in this country as abroad.

1544. Does not the same quantity of gold buy a greater quantity of some articles in this country, for instance, articles of hardware, than on the continent?—Of some articles it does.

1545. Those articles which are cheap?—Yes, and are manufactured with very little profit.

1546. There are some which it does not?—There are many.

1547. Does not that depend upon the difference in the cost of manufacture arising from peculiar advantages, more than on any difference in the amount of currency in this country?—No, it does not; it depends to a certain extent upon this: there are a variety of articles which foreigners began to manufacture at the peace; up to that time their manufactures were very small, though much protected; those manufactures have since increased; and as they increase, the Act of 1819 will come into more complete operation every day; and when they have perfected their manufactures (many of which they now make as well as we do), and those manufactures are allowed to come into England, then the Act of 1819 will come into full operation.

1548. When the foreign manufacturers decrease their price, and undersell the English manufacturers, then, and not till then, the operation of the Act of 1819 will be felt?—I do not go so much on the foreigners decreasing their prices as on their perfecting their manufactures, which they are daily doing.

1549. Taking the production of any article to be alike made on the continent and

and here, if they are able to undersell you on the continent, does not that arise from the decreased cost of consumption abroad?—From the decreased cost of labour.

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1550. Are there no other circumstances than the decreased cost of labour?—Yes, there are many others.

1551. Are there a great many entering into the cost of every article of complex manufacture?—Yes. With regard to agricultural produce, I might state one case. In Mecklenburg, the nobility and landed interest are supplied with labour by the peasantry, who are obliged to attend a certain number of days of labour, to till the lands of those parties gratis, and the corn obtained from those lands so tilled gratis, is to be sold in opposition to the corn raised from the land tilled by the English peasantry.

1552. Does not the labour so given by the peasantry in tilling the land become a portion of the rent for which they are liable?—No; it is a fixed duty that they are bound to give, in the same way as the serf in Poland or Russia is bound to give a certain service.

1553. Is not that equal to the proportion of taxation which they might have paid otherwise, only in a different form?—I am not aware that it is; they also pay taxes as well as the landlords.

1554. Do you mean to say that the labourer here pays no taxes?—He pays taxes.

1555. To take one of our workmen's wages in the year, say at 40*l.*, can you estimate how many days' labour he would give, if he gave his labour in lieu of paying taxes to the State?—It would be hard to make the calculation; the burdens upon the labourer have been very much lightened in latter years, and therefore I could not give a correct estimate.

1556. Do you mean that the duties on articles which enter into the usual consumption of the labourer have been reduced, and thereby the price lowered?—Yes, the labourer has been relieved to a considerable extent.

1557. In what way has that been affected by the Act of 1819?—I do not see that the Act of 1819 has in any way interfered with the alleviation made to the working classes.

1558. Then does it not appear that the reduction of duties, and the increased supply thereby arising, affect prices more than the quantity of paper; you stated that wages and prosperity depended upon the quantity of paper?—No; the question was whether the wages and prosperity had not been much enhanced when there was a large amount of paper in circulation, and I said they had; and in fact, whenever there has been a permanent increase of paper circulation since 1819, there has been an improvement in the condition of the labouring classes.

1559. But you admit that there has been a great improvement in the condition of the labouring classes without any increase in the amount of paper?—I cannot find that the labouring classes are better off than they were; there are many burdens that have been lightened, but their wages have been reduced in proportion.

1560. And their condition consequently is not much better than it was formerly?—No; except in 1846 and 1847, there was a slight advance of wages in consequence of the great demand for railway labourers.

1561. Mr. Alderman Thompson.] You have stated that great depression exists in the trade of Birmingham and of the district surrounding Birmingham?—I think there does exist great depression.

1562. Are there a great many without employment?—There are from 5,000 to 6,000 out of employment in Birmingham, and the remainder are working at two and three days a week.

1563. Can you give any information with respect to the wages of the working men employed in the trade of Birmingham, as compared with what they were in the year 1825?—I cannot; many manufacturers are now employing their workmen more from good nature than anything else; it is the rule to keep on the regular staff.

1564. If trade does not improve, there must be an end of that?—There must.

1565. You have given the Committee information with regard to the state of discount during the late panic; did the private banks and joint stock banks limit their discounts to their customers during that crisis?—I have no doubt they did; I keep an account with the Bank of England; I have also an account with a private bank; but I did not ask them for discount.

1566. Was your account with the Bank of England high at the time?—It was

P. H. Allen, Esq. almost nothing; I had been doing very little business with the Bank; I did not care about the discount of the bill that I brought which they refused to discount;
 22 February 1848. I only came to try the question; the report in Birmingham was that they would not discount at all; I believe my discount at that time was not half of what it had often been; I beg again to say that I do not find any fault with the Bank; they did all they could for the commercial interests.

1567. You think that the Bank, both in April and October, did every thing that they could do under the circumstances in which they were placed?—Yes; and that was the general feeling of most parties that I know; many persons said that they deserved the thanks of the community for the great assistance they rendered to the commercial classes; they seemed to favour the commercial classes in preference to the banks; the state of discount was so difficult that I know that some parties who had first-rate bills were obliged at the time to suspend payment.

Veneris, 25^a die Februarii, 1848.

MEMBERS PRESENT.

Mr. Beckett.
 Mr. Alderman Thompson.
 Mr. Caley.
 Mr. Hudson.
 Mr. Glyn.
 Mr. Thorsely.
 Lord George Bentinck.
 Sir James Graham.
 Mr. T. Baring.

Mr. Cobden.
 Mr. Spooner.
 Mr. Cardwell.
 Mr. Hume.
 Mr. J. L. Ricardo.
 Mr. Disraeli.
 Sir William Clay.
 Mr. James Wilson.
 Mr. Chancellor of the Exchequer.

THE RIGHT HON. F. T. BARING, IN THE CHAIR.

Samuel Garvey, Esq., Examined.

S. Garvey, Esq. 1568. *Chairman.*] How long have you been in business in London?—I have been in business in London since the year 1807.

25 February 1848. 1569. In what line of business are you engaged?—The business in which I am usually designated that of bill-broker.

1570. Before we proceed to ask you any question with regard to the last year, will you state to the Committee whether you think, that since the passing of the Act of 1844, there has been any previous period which shows the working of the Act?—In February 1846 the operation of the Act of 1844 was sensibly felt.

1571. Will you state in what way it was felt, and your view of the pressure at that period?—The pressure of 1846 arose from the excitement that had occurred upon the subject of railways for the previous two years, and more particularly from a regulation of Parliament, that a certain amount of deposit on each company's scheme should be paid into the Bank, on account of the Court of Chancery, within a certain number of days of the meeting of Parliament; before the payments took place it was impossible to ascertain the exact amount of what the payment might be, but it was presumed that it would range from 10 to 25 millions sterling.

1572. *Mr. Thorsely.*] Was not a good deal of it paid in Exchequer bills?—No; the payment was to be made in bank notes; so very large a sum to be taken out of the circulating medium then existing, was a very severe operation; the Bank being under the restriction of this Act instead of giving increased accommodation to the monied interest, which, were it not for this Act, they would have done, acted upon a very marked system of limitation; the usual accommodation that we had had, had been by the discount of bills having less than 90 days to run, or loans on the security of bills for the same period, of 90 days or less; the Bank were alarmed in consequence of the effect of this Act, and limited the period first to 60 days, then to 30 and to 20, and at last to only 10 days; the effect of which was, that the money dealers were wholly disinclined to take money for such short periods, and to accommodate the mercantile community with it, and very great stagnation and pressure took place for a fortnight or three weeks.

1573. *Chairman.*] Do you consider that stagnation to have arisen entirely from the operation of the Act of 1844, and if so, in what way?—It took place solely in consequence of the operation of the Act, inasmuch as if it had not been

for

for the Act the Bank would have been willing to have made liberal advances, and the public would have had all the accommodation they required, and instead of a time of pecuniary distress and disturbance in the money market, it would have passed over without being noticed by the public.

1574. Was there at that time any other cause whatever which was likely to have produced that effect?—At that time there was no other cause whatever; it was a period when the stock of bullion in the Bank was upwards of 13,000,000*l.*, and the exchanges in favour of the country; the stock of bullion was gradually on the increase; it was a period of great monetary prosperity.

1575. The inconvenience at that time, in your opinion, arose entirely from the restriction in the Act?—Entirely and solely; there was nothing in the money market or money transactions of the time, but what led to entire ease and facility, excepting as we were under the bondage of this Act.

1576. Can you compare the operation under the Act, as you stated to have taken place in 1846, to any similar period previous to the passing of the Act?—The only period to which I can at all compare it was that in which a loan for compensation for the West Indies was raised. At that time, there was a very large amount of bank notes to be paid into the Bank, which before a long interval would not be paid out again. The monied interest at that time had large accommodation from the Bank, as stated they ought to have had, in the latter case; our house alone, in the case of the West India Loan, were supplied by the Bank to the extent of 3,000,000*l.* sterling. In the latter case, in February 1846, we ought to have had at least as large an accommodation for the advantage of the public; we, however, limited it to no greater number of bank notes than we could possibly limit ourselves to, wholly throwing over the accommodation to the public; this was the effect of the Act.

1577. At that period of the West India Loan, was there any inconvenience felt, such as there was in February 1846?—There was no inconvenience whatever felt by the public, inasmuch as the public got the relief as I stated, because not only was my own house so accommodated, but others in equal proportions had the same accommodation, and the circulation in the city was never materially deranged; at that time the public were not the least aware of this very large operation going on; and in my opinion, the public ought not to have been inconvenienced in February 1846; there was no ground for it, were it not for the bondage of the Act.

1578. Do you consider, that if the Act of 1844 had been in operation at the time of the West India Loan, inconvenience would have arisen from the restriction in the Act?—Inconvenience to a great extent, but not to the same extent as in February 1846.

1579. You have stated, that one source of the inconvenience in February 1846 was the uncertainty as to the amount that would be wanted?—It was so; it was quite uncertain when the Bank would be required to repay this large sum of money; and they were afraid, under the Act, to use it.

1580. Are the circumstances of February 1846 likely to occur again, or was not it an extraordinary event?—It was quite unprecedented in the history of money transactions; but still it has given that experience which would make me extremely alarmed at any very large payments to be made by the public into the Bank under the operation of this Act.

1581. Mr. Alderman Thompson.] The West India Loan was in 1836?—I do not recollect the exact year; it was in 1835 or in 1836.

1582. Chairman.] Have you anything else to add with reference to the occasion of February 1846?—There has been no occasion, in my opinion, in which the Act so favourably operated upon a state of money market as in the case of February 1846; in that case the Act only was the cause of the inconvenience; in what has occurred since, other causes have operated; but then it was only on account of this Act that the Bank instead of giving increased accommodation at a period when, of all others in all my history, it was most wanted, adopted a restrictive system till it was almost saying, that they would not let you have money at all; because to give your notes of hand for hundreds of thousands of pounds for 10 days was that which no prudent man would enter into beyond what he could possibly avoid. I have no hesitation in saying, that our house ought to have had at least three times the amount we had; this was entirely and solely owing to the system of restriction by the Bank being under this Act.

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1583. Mr. Beckett.] In 1836, when the West India Loan was made, did the Bank increase their issues at the time?—I have not a record to state that, but the issues of the Bank at the time of the West India Loan were kept very even, in consequence of the facilities which they gave to the monied interest.

1584. Mr. Gurney.] They were temporary advances against the instalments of the loan?—Yes; which they were enabled to use, being without the restriction of Act.

1585. Chairman.] Turning now to the period of 1847, what did you consider to be the state of the trade at the commencement of 1847?—I think we were in a somewhat unnatural excitement; I think things were going on a little too fast to be quite wholesome.

1586. How long do you consider that state of excitement to have existed?—It would be very difficult to specify the exact period, but I should say for the two or three latter months of the previous year.

1587. At the close of 1846?—The close of 1846 and the first few months of 1847.

1588. What was the immediate cause of the pressure in April 1847?—The pressure in April 1847 arose from an expectation of bailion, and a large importation of food upon a rather excited state of transaction generally.

1589. Where did the pressure first show itself, and in what way?—There was, a gradual increase in the value of money, but still facilities were granted by the Bank to a liberal extent till the commencement of April 1847; and there was no real pressure on the money market before that date.

1590. That pressure commenced in the beginning of April?—The pressure commenced in the beginning of April; the Bank, having to pay the dividends in that month, found that they were too near the limit specified by the Act of 1844, and began very suddenly, and with great severity, to draw in the accommodation given to the public, beyond any precedent.

1591. Did that produce considerable effect?—It produced great impracticability of transactions in the city, and a stagnation of transactions generally.

1592. How long did that last?—It did not last very long; I do not think the severity of it lasted more than 10 days, and then we gradually got into a time of very fair facility again.

1593. When do you consider the difficulties of April 1847 to have been over?—They were over by the end of the month; in fact, the severity of them was over in a fortnight; by the 20th of the month.

1594. When did the pressure in the autumn commence?—It commenced with the earliest days of August.

1595. In the intermediate time, things were in a fair state, and money easy?—Yes, in a state of facility.

1596. In what way did the pressure begin in August?—It began by very large failures in the corn trade; it was some little time before those failures extended into other lines of business; at the same time our apprehensions became greater weekly; we had again severe failures in houses connected with foreign parts in September, and by the end of that month there was a very marked distrust in the city, as touching the mercantile community; that distrust very generally extended, and at last there was rather a strong tendency on the part of those that could, to provide bank notes, and bank notes were provided by people of power to a much greater extent than were wanted; the reserve of the Bank became less and less, till it became a very serious question whether bank notes were to be had at all under the operation of this Act; as that apprehension increased, the intensity of the desire to possess circulating medium increased also; instead of giving relief, as naturally would have been the case had it not been for the Act of 1844, the Bank was under the necessity of going upon a system of severe restriction; it is due to the Bank to say, that at that time, to houses in actual difficulty, they did extend a hand of liberal generosity and with unflinching liberality; at the same time, to houses that could stand alone and wherever they could possibly avoid giving it, they restricted it as much as they possibly could, and so it went on, till, as the Committee know, the reserve of money became very small indeed.

1597. Do you consider that the actual amount of notes out of the Bank was insufficient for the purposes of the country, or do you mean that in consequence of the alarm, a considerable part of that circulation of notes out of the Bank

was

was rendered inefficient by being locked up?—It is quite clear that the amount of notes that the Bank had issued were very much beyond the actual requirements of the country, amounting to nearly 21,000,000 *l*.

1598. Mr. *Glyn*.] You mean beyond the usual requirements?—I mean that the notes in the hands of the public, at the end of October, amounted to 20,800,000 *l*; I have no hesitation in saying that there were at least 4,000,000 *l* sterling more than the actual requirements at the time, and that excess was imperative in consequence of the alarm that existed owing to this Act.

1599. What was the effect of the issue of the Government letter?—The effect was, that of immediate relief; perhaps I cannot explain the case better than telling the history of my own firm on the day on which the Government letter came down, and the previous Saturday: up to that Saturday, our firm had no occasion to apply for any assistance from the Bank of England; in consequence of the feeling of panic we had on the Saturday to get possession of the circulating medium, I went over to the Governor of the Bank, to negotiate an advance; I was received by him as I always have been in that establishment with great courtesy, but I was told that they could not give me an answer till two o'clock in the day, but that they would, if practicable, make a point of letting me have the money; they gave me a pretty strong expectation that they would, but that they should charge me 10 per cent interest.

1600. Have you any objection to mention the amount?—The amount was 200,000 *l*; whether 20,000 *l* more, or less, I cannot say. I stated to the Governor that it was a matter perfectly immaterial whether we lost two, or three, or four hundred pounds in such a transaction, but that I thought it would have a very injurious effect if it were stated in the city that our firm had paid 10 per cent; I strongly urged this, and he was kind enough to relax to 9 per cent, but below that he was quite unwilling to go, and we paid 9 per cent; that was on the Saturday. On the Monday morning there was the same cloud over the city; there was a strong desire both on the part of gentlemen from the country and bankers in London to get possession of circulating medium, as they most reasonably thought, while it was to be had; and a very great variety of orders came in from the bankers for sums of money, and from others not bankers. I went over to the bank (or my partner) and stated that we should want a similar sum; we were received with the same courtesy, and told that at two o'clock they would let us know whether we could have it or not. Before two o'clock this relaxing letter had come down, and very generally the orders for money were withdrawn; they said, "We do not want the money now—we do not want the money now—there is no occasion to pay it." Sums of money were immediately offered us, and people then began to have confidence to use the notes which they had. Before the week was over we had to go and ask the Bank, as a favour, to let us repay the money which we had borrowed.

1601. Are you of opinion that if the Government letter had been issued earlier any part of the pressure would have been saved?—I have no hesitation whatever in saying, that the severity and the extent of the calamity would have been limited, had that letter come at an earlier period.

1602. You spoke of the failure of mercantile houses in the course of the year; is it your opinion that a great portion of those houses that failed, were insolvent houses, which must ultimately have failed?—I think the first series of houses that failed were insolvent, and failed rightly; ultimately it began to affect solvent houses, and houses stopped payment which would not under other circumstances; and my own apprehension is, that not only the degree of insolvency, but the number of failures were increased in consequence of the very great additional pressure which this Act produced on the occasion.

1603. Supposing the letter of the Government had not been issued, but that the Act, in its full force, had been carried out into unmitigated operation, what, in your opinion, would have been the effect?—I think the wisest in the city cannot calculate; my firm persuasion is, that it would have ended in an infringement of the law or a stoppage of the Bank; it would have produced very great calamity, and extreme alarm over the country; the ultimate consequences no one can calculate.

1604. Do you think it would have affected the convertibility of the note in that way?—I think it would ultimately, but the wisest cannot exactly say; my own opinion is, that it would have run to a great national calamity.

1605. Will you have the kindness now to state to the Committee what you consider

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consider to have been the causes which produced the events of 1847?—I think the original cause was an unproductive season, and to a certain degree of excitement upon commercial transactions.

1606. Do you attribute much to the effect of the railways?—I cannot trace it to railways; I have been asked several times, whether I thought they affected the money market while they were in progress; I was under the necessity of giving an answer that I could not tell, but still my reason would say that so far as the commercial capital of the country (I do not mean the mere floating money) has been withdrawn from commercial and trading purposes into railways, it must have had an injurious effect upon trade; on the other hand, it was rather a time of excitement in trade; there was no facility wanted; and therefore, though my reason and my judgment tells me that it must have had such an effect as that alluded to, my experience has not shown it to me.

1607. You did not find it yourself?—I cannot say that I ever found it myself.

1608. Will you have the kindness to say whether in your opinion, the Act of 1844 had any effect in producing the distress?—I do not think the Act of 1844 was the cause of these panics; I think it aggravated the misfortune on each occasion, but I do not think it could be traced to be the cause.

1609. You do attribute to it the pressure in April?—Yes, decidedly; because in April, in consequence of the Act, the Bank did, in two or three days, what they should have taken two or three months to do; it was the suddenness and rapidity of the operation that did the harm.

1610. Are you of opinion that the pulling up in April was proper?—I think, under the Act, the Bank could not avoid doing what they did, but it was otherwise improper; it was too sudden.

1611. But you are of opinion that it ought to have been spread over a longer period?—Yes.

1612. Will you state your impression as to the conduct of the Bank during the difficulties beginning from August 1846?—My apprehension is, that under the regulations which have latterly been adopted, the Bank took what might be termed a reasonable course, that of getting all the benefit they could out of their banking department; in my judgment, it would have been much better for the public if they had not acted upon that principle, and if they had begun to act upon the restrictive system much earlier than they did.

1613. Mr. Chancellor of the Exchequer.] Do you think that would have obviated the necessity of the sudden restriction in April?—Beyond all question; I think it would have been much better for the public, if they had begun the system of restriction sooner; but if they were told to make as much as they could of the money in their hands, they took the right way of so doing.

1614. Chairman.] Did you, in conducting your own business, think there was a cloud in the horizon and draw in?—We thought there was a cloud in the horizon, and we drew in for the previous six months before April; our figures were on a gradual decline, but there was a very active demand for money, and though we succeeded in restricting our figures to a considerable amount, it was a very difficult thing to accomplish, but we did do it.

1615. You think the Bank did not draw in early enough for the public benefit, and that when they drew in they drew in too suddenly?—That would be the explanation I should give of the conduct of the Bank for the six months previous to April 1847.

1616. Have you any observation to make upon the conduct of the Bank from April to October?—As far as met my experience, it was liberal and judicious.

1617. Have you any suggestions to make to the Committee of any remedies that you think would tend to mitigate the evils of a crisis of this kind?—That question has a very general bearing; perhaps it may not be irrelevant to state that, in the origin of this Act on the currency, I thought the theory sound, and I had a strong apprehension that it would work well; that it would produce a more prudent feeling on the part of the public, and all parties interested in money dealing, and that it would carry with it its own security; but my judgment now is, based on the experience of these three several periods to which I have alluded, that this has not been the case, and that the restrictive effect of the Act, at a time of peculiar pressure, works exactly adversely to what ought to be the case. Though I am wholly averse to any artificial system of getting over a bad famine, or any national calamity that the country ought to bear,

bear, I think it is very unwise to pass a law to say, that in a particular pressure, that is to last for only a few days, or two or three weeks, we will use no artificial means whatever to get over it, but that we will, *ceads god come*, whatever is the consequence, restrict ourselves to a certain limit; and it is my decided opinion, resulting from experience, that it is necessary that there should be a relaxing power in that Act.

1618. Do you consider that, when there is alarm, or what is technically called a panic, the cure for such panic is by an issue of notes rather than by a contraction of notes?—When there is a panic the only cure is a liberal issue of notes; and for this reason, that if the community feel that there is a difficulty in such issue it aggravates the panic; and though I have had it said to me more than once, "It is only panic—it is only panic," I am perfectly certain that there is nothing so powerful in its injurious operation upon the circulating medium, or so wholly uncontrollable as panic.

1619. With a view of meeting this, you propose that there should be a relaxing power in the Act?—That is my opinion; and it is also my opinion, as I have before stated, that had there been a relaxing power in this Act, the severity of the distress, and the amount of the calamity in the autumn of last year would have been very considerably less than it was.

1620. You would have a relaxing power in a special clause of the Act?—Yes; my own opinion is, that it should be a special clause, because it is my judgment, that it should be a power of relaxation by law, not by breaking the law.

1621. And with the view of acting upon it with more readiness than it was acted upon during the last period?—Undoubtedly.

1622. Where would you place the power of relaxation?—If it was only to satisfy myself, I should place it with the Bank of England; but it is quite clear that the so placing it, is in fact an abrogation of the Act; and though, for my own part, I should be satisfied with the prudence and discretion of the Bank (which is beyond what they have credit for), yet I do not believe it could satisfy the public; if so, it must be given to the Government.

1623. What is your opinion of the general conduct of the Bank during your experience in business?—Taking a review now of a pretty long experience; I should say speaking generally, that the Bank had been extremely well managed.

1624. You think that whatever the constitution is, the effect has been good as to the government of the Bank?—That is my judgment; I am not prepared to say that it has been perfect on all occasions, or entirely according to my own views in all respects; I may have been wrong and they may have been right; but taking it altogether, I think the Bank has been managed with great credit to the establishment.

1625. Should you approve of any alteration in the constitution of the Bank, with the view of introducing into the Bank parlour some parties unconnected with trade, and of a more permanent character than the present directors are?—I am satisfied with it as it is; at the same time, I think it would not be an unreasonable infusion into the directorship of some experience, independent of commercial feeling and interest.

1626. What do you say to the proposition of a permanent Governor of the Bank?—I am adverse to that proposition.

1627. Why?—Because I observe that many men have their own particular theories, and are so bound up by those theories, that if we were to get a Governor under such influence, I should extremely disapprove of it. The arrangement of a permanent Governor might be very good if you got a very capital man, but that is uncertain. As it now is, I believe it is far better controlled than meets the public eye, because if we have a Governor that is not quite first rate, he is in fact controlled by the Deputy, and there are other directors of long experience always at hand, in fact controlling it; but if we had a permanent Governor, and did not happen get the very best man, I should have a very great fear of the consequences.

1628. Referring again to the Act of 1844, what is your opinion of that part of the Act of 1844, which limits the circulation of the issue of private banks?—My experience is not very great upon that subject, but my impression from all I have observed is in favour of the restriction as it relates to private banks.

1629. Is that the opinion you originally entertained, or has experience induced you to change your opinion upon that point?—I did not originally entertain that opinion; when this Act passed I was rather averse to that clause;

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but upon the whole, I think the clause has worked well, and I see no sound reason for relaxing it.

1630. What is your opinion of the effect of the Act of 1844 in securing the convertibility of the note?—My apprehension is that it tends in a time of alarm to increase that alarm, and that by so increasing the alarm, it tends to increase the danger of the ultimate convertibility of the note.

1631. Will you have the goodness to state to the Committee supposing the Act of 1844 had not passed, what you think would have been the course of events during 1847?—My opinion is, that had there been no such Act and no division of the two departments of the Bank, the Bank would have taken an earlier line of restriction, and my opinion is that the alarm that arose in April 1847 would not have occurred; I think that period would have passed over without observation, except as far as the country ought to bear the evils of a deficient harvest; it would not have aggravated itself to the point of crisis, but it would have gone off imperceptibly and lightly; and my opinion is, that the great calamities of the autumn would have been to a less extent and characterized with much less severity.

1632. Is it your experience of the past conduct of the Bank which leads you to the conclusion that if there had been no such Act, the Bank would have taken earlier measures of precaution?—That is my experience; the Bank have on previous occasions taken earlier precaution, and have been better prepared to meet the emergency when it came.

1633. Supposing the difficulties of April had not occurred, do not you consider that the amount of bullion would have been very much diminished from what it was?—I think it would have diminished somewhat more quickly; but it is a matter of opinion upon which it is extremely difficult to come to a very certain conclusion.

1634. Mr. Alderman Thompson.] Is there any part of the Act of 1844 which meets your approval with the exception of that part which restricts the issues of country bankers?—I am rather in favour of the general principle of the Act.

1635. You were understood to say that you thought that the Act of 1844 was rather an interruption to the convertibility of the note than otherwise?—Because of its entirely restrictive character; but if there were a power of relaxation, I think it would very much get over that point.

1636. Then when you gave the answer with reference to the Act of 1844 being rather an impediment to the convertibility of the note, you meant that there ought to be a proviso with reference to a relaxing power?—When I gave it as my opinion that the Act endangered the convertibility of the note rather than otherwise, it was in its perfect form without relaxation.

1637. What is your opinion of the beneficial effect or otherwise of publishing the weekly state of the banking department of the Bank of England?—I think it has been very useful to those engaged in business, and has led to their protecting themselves; I am not aware of its having had any injurious effect.

1638. You are of opinion that the information is useful as a guide to the public, and that it is a safeguard rather than otherwise?—As far as I can judge by the management of my own business, it has had that effect.

1639. For instance, there may appear on the banking reserve in the week ending the 23d of December 5,000,000 *l.*, and in the early part of the following week, the Bank may have lent out 2,000,000 *l.* of money returnable early in the following week, but as the Bank have no means of making that fact known to the public, do you not consider that it is so important a fact that the giving them the other information without that has a tendency to mislead the public rather than to instruct them?—I do not think it has had that effect.

1640. Do you think that there would have been such general alarm in October last if the public had not seen that the reserve of the Bank had been so greatly reduced?—I think the alarm was aggravated by that knowledge; and though there may be an apparent inconsistency in my answer, I should explain it thus: that as a whole, speaking generally, it is beneficial and useful, and it is more useful as a general matter than it is injurious in a particular case; if the Act be relaxed, then I think that gets over the latter point, or at least lessens the objection very materially.

1641. Will you be kind enough to state to the Committee what your opinion is as to the effect upon the money market of raising the rate of discounts at a period

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period of panic and discredit, such as the country experienced in October last?—So far as the increase of the rate of discounts is warranted by the circumstances of the times, I am in favour of it; but I am wholly against the artificial raising of the rate of interest, as was the case in this last autumn; I think it was harmful; and though it may have had some effect in righting the exchanges, yet it increased alarm, and thus did more harm than good.

1642. You think that the change was too violent, and therefore intended to increase the discredit and panic which existed?—It is my opinion that it had that effect, and that raising the rate of interest to the extent to which it was raised was beyond what the true state of things called for.

1643. You state that you are of opinion, that if the Bank had altered its course of action in August 1846, the pressure in the April following would not have been severe; by that, you wish the Committee to understand that the Bank should, in your opinion, have raised the rate of interest in the autumn of 1846?—I am of opinion that it would have been better if the Bank had raised their rate of interest earlier; and I think the circumstances of the times called for it; but I should have gone further; it should not have been a mere raising of the rate of interest; I would have gone upon a system of somewhat reducing the figures too.

1644. Do you happen to recollect what the rate of interest was in the money market in August and September 1846?—I can only speak to a certain degree from guess; I do not think it was above 2 per cent. at that period.

1645. It appears by a return made by the Bank of England to this Committee, that in August, September and October 1846, the minimum rate of discount which they charged was $3\frac{1}{2}$ per cent.; at that time they had upwards of 16,000,000*l.* of treasure, and 2,000,000*l.* of reserve, and the exchange on Paris was 25.75, do you think that in that state of things that minimum rate of $3\frac{1}{2}$ per cent. was too low a charge by the Bank of England?—That is a question which involves a great deal in the answer; I really do not know that I can give a very specific answer to it, because it involves this question, the competition of the Bank with the money market; taking it in the more general view of the Bank competing with the money interest, my experience is adverse to it; but I give my answer with great deference, because it is a question in which I am personally a good deal interested; but I think it does work prejudicially to the public.

1646. Are you of opinion that the Bank can regulate their issues of notes to the public by the influx and efflux of gold into the country?—I think that in a large degree they can, but it must not be the only question that governs them.

1647. What other question should govern them?—I think the question would be the requirements of the public, and the state of things generally, and a variety of matters that may bear upon it that one cannot specify upon an occasion like the present.

1648. Probably you have seen in the public returns, that the reserve of the Bank of England at this time is upwards of 10,000,000*l.*; do you consider that to be a larger reserve than necessary?—Beyond all question.

1649. Supposing that the Bank, in consequence of the state of the exchanges, and the increase of bullion which they have recently had, should be desirous of employing 3,000,000*l.* or 4,000,000*l.* of their reserve, at what rate of interest do you think they could employ it upon good and sufficient security?—In the market in which I operate, they could not employ it at all. They might purchase Consols and Exchequer bills, and securities of that kind at a high rate of premium, and by so much, invest their money; but the bank notes so invested would not remain in the hands of the public, they would flow back to the Bank again in 24 hours.

1650. Then you cannot devise any means by which the Bank of England can keep their issue in a state of equilibrium?—It is impossible.

1651. Do you think, if there had been a discretion vested in the Bank of England, the same as there was prior to the passing of the Act of 1844, taking it for granted that they would exercise at such a period the same caution and discretion which has generally regulated their conduct, that in April and October last the pressure would have been considerably less upon the public than it was?—I think I have already answered that; it is my opinion that there would have been no particular pressure in April, and that the pressure and calamity of the autumn would have been considerably less.

1652. The exchanges in April having been in favour of this country with the whole world, with the exception of North America, would it not have been

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practicable for the Directors of the Bank of England to form a tolerably accurate estimate what the extent of the drain upon their treasure would be to the United States?—Admitting that there was no foreign drain except for the United States, I think that the Bank of England would be able, with their accurate knowledge, in a very fair degree to measure the probable exports of bullion to the United States; I think so, inasmuch as the exportation of bullion to the United States are of a different character, and more easily to be ascertained than exportations of bullion to France, and countries so very nearly situated as the continental countries are.

1653. You have stated to the Committee the character and extent of the pressure which took place in London in October last; did you find a great demand for money from your various correspondents in different parts of the country; was an alarm beginning to be felt in consequence of a want of bank notes, and were persons in the country who are in the habit of lodging cash with you, giving you notice to withdraw their cash?—There was a very general demand upon us for money which was deposited in our hands on the part of our country friends in October last, from all parts of the country.

1654. Did they go beyond that, and signify to you that they should want you to advance them money?—In very many cases those who had deposits in our hands not only drew out all their deposits, but actually took money from us, and it was a very general question put to us on the part of most people, whether we would supply them in case it was wanted.

1655. Do you consider that the calamities of the past year have been attended with very serious losses, irrespective of the parties who have actually failed. The question has reference to merchants and commercial men in the City of London?—I have no hesitation in saying, that the loss to the commercial community and the monied interest in 1847, is unprecedented in amount.

1656. Can you form any estimate of the loss sustained by the solvent mercantile houses in the City of London?—I could not venture upon such an opinion.

1657. But it must be very great in your estimation?—Very great indeed; I can only say, beyond all my previous experience.

1658. *Chairman.* Greater than in 1825?—I think the loss in 1825 was nothing at all to be compared to it.

1659. *Mr. Alderman Thorneycroft.* Do you see any symptoms of returning prosperity?—I think the symptoms of returning prosperity are good; I have no apprehension with respect to returning prosperity myself.

1660. Upon what do you found that opinion?—I think that consumption is going on, and therefore trade must sooner or later supply that; and price is low, and therefore it is safe to deal in almost any article, and I think there is reason to hope that we shall experience a gradual and safe advancement on the favourable side; it may be checked by the harvest that is coming, if that should be unfavourable, or by political calamities if they arise.

1661. Is the amount of commercial paper now offered for discount, large?—Very limited.

1662. Is money abundant in London?—Money is superabundant, and it is very difficult to employ it.

1663. Is not that a symptom rather of stagnation in trade?—It is a symptom of a limitation of transactions at this time; but the question was, as to the symptoms for the future.

1664. The question referred to present circumstances?—The present circumstances are, as I have stated, a limitation of transaction and a great superabundance of money; but the prospective symptoms, I maintain, are good.

1665. *Mr. Thorneycroft.* What was the general character of the bills which were in circulation in the year 1847?—Experience has shown that a large proportion of them were of a very unsubstantial character.

1666. And a great proportion of them probably were either unpaid, or were obliged to be renewed when they became due?—A much larger per centage of the bills that fell due were unpaid than I ever before knew.

1667. Were there many renewals in the course of your experience?—Yes, there were a great many renewals.

1668. May it not happen then that the difficulties of last year were to some extent owing to this, not that there were too few bank notes to be had, but that there were too many bills, many of them accommodation bills, or otherwise of doubtful

doubtful character?—It is quite clear that there was a great amount of hills of the nature alluded to, and that ought to have been put an end to.

1669. Do not the joint stock banks in the country re-discount to a great extent in the London money-market?—Some of them do, and some of them have a great deal of cash in the London money-market; there is a great variety.

1670. Would you say that the joint stock banks in the country have generally sufficient paid-up capital to conduct their business, or would it not be better that they should call for more money from their shareholders and re-discount less?—My apprehension is that the joint stock banks in general have sufficient paid-up capital; I base my opinion upon this, that in all banking and money-dealing, it is not so much the amount of paid-up capital that is important, as the prudence of management; and so far as my experience has gone, I think very large paid-up capitals have quite as much led to imprudence of management as the contrary.

1671. Still the less the amount of paid-up capital, the greater would be the rate of dividend upon the capital?—That is quite clear.

1672. Mr. Hume.] You state that the control or management of the Bank hitherto, has, in your opinion, upon the whole been judicious?—I am quite of that opinion.

1673. You think that there ought to be some relaxing clause in the Act of 1844, and that it ought to rest with the Government; what do you mean by "resting with the Government;" shall it be with the Cabinet, or with the Chancellor of the Exchequer, or with the First Lord of the Treasury, or what kind of check or control would you have?—I am hardly prepared with a judgment as to where it should rest in the Government, inasmuch as I am entirely inexperienced upon the point of who would be the proper parties.

1674. Would not that power influence in a great degree the value of property in the country?—Inasmuch as the Act in its restrictive form has the effect of reducing the value of property in the country, and under some circumstances to a very alarming degree, by so much so I think that relaxation would at all times affect the value of property.

1675. Is it your opinion that the value of money should be allowed to follow the same rule of supply and demand by which all other commodities are governed?—That is an abstract question to which I am hardly prepared with an answer, because I think there are periods, especially periods of a limited character, when it may be very judicious to use artificial means to get over such particular pressure; and therefore, though the abstract principle of supply and demand be sound in the main, it may be right to relax it under particular circumstances.

1676. You say that the Act of 1844, as it now stands, by restricting the issues, affects the value of property?—Certainly.

1677. Do you think that is a fit and proper Act to be passed, which so affects the value of property?—If the question means to imply that the Act as it stands in its restrictive form ought not to have passed, I think it ought not to have passed, inasmuch as with this restrictive clause, experience shows that under some circumstances it operates with infinitely too great severity for the good of the community.

1678. Your opinion is, that the Act upon the whole has been injurious?—The Act upon the whole has been injurious, in my opinion.

1679. But yet you say, that whilst you object to its restrictive power, you consider that it has been beneficial as regards country banks; you think that country bankers ought not to have perfect liberty to make what value they can of the property they have?—My opinion is, that as far as the country banking interest goes, the restrictive clause touching their issue has been sound; and that the effect of the restriction upon them is, that it takes the power of expansion or relaxation out of the hands of the country bankers; and I apprehend that they are a body in whom it ought not to rest, and that it is much better to rest in the hands of an independent body.

1680. Taking a single banking establishment, supposing you yourself were a banker, do you think that an Act of Parliament could point out to you how to regulate your transactions in banking better than you could do it yourself?—Decidedly not; and I am of the judgment, that a country banker himself cannot regulate the actual amount of the circulating medium that may be useful in his own district, but that it is affected by circumstances out of his control. Then, if he is limited by law to issue his own notes only to a certain amount, and anything beyond that amount must be in notes of the Bank of England, that in fact puts the ultimate settlement of the relaxation or contraction in the hands of a body not immediately connected with the country banking interest; and I think it is best so left.

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1681. Do you believe that any country banker can issue more bank notes for any period than the demand of commerce, or the circumstances of the country at the time require?—I am decidedly of the judgment that a country banker cannot issue bank notes to the extent of 10*l*. beyond the natural requirements of the district in which his bank is situated.

1682. Then what necessity is there for any limitation by this Act?—I have endeavoured to explain that before. It is, that though the country banker cannot limit the amount of the circulating medium that his own particular district may call for, yet, if he is limited in the amount of his own notes, he necessarily then has recourse, for what is wanted beyond, to Bank of England notes, and by that arrangement it puts the controlling power of the national circulation as a whole in the hands of the Bank of England, and out of the hands of the country bankers; and I think it is a sound arrangement that it should be so.

1683. You think that the Bank of England is better able to take care of the transactions of the country banks, than the bankers themselves residing on the spot?—As a national question, I think the Bank of England are more able; but perhaps I may illustrate it by the city of Norwich, in the bank in which place I am particularly interested. If there be a high price of corn in Norfolk, and an active state of manufacture of that town, the circulation of our bank will, of course, increase; being limited by law to a certain amount, for what is required beyond that, we have to apply to the Bank of England. Now, it may be very needful for that particular district of country to have such relief from the Bank of England, but still it must come under the control of the Court as a whole, looking at it in a national point of view; and it does appear to me more reasonable, taking it as a whole, looking at the country bankers as an aggregate, that their circulation should be regulated to a certain extent by the position of things nationally, rather than that every country banker should be able to issue just as many notes as his own particular district requires without such national control.

1684. Confining the question, as you propose, to the case of Norwich, do you think it right that the farmers, or merchants, or persons carrying on business in Norwich should have their property limited in price and value by any restriction of the accommodation which otherwise would be given to them?—My apprehension is, that the transactions of the city of Norwich ought to come under the general control of the currency, nationally speaking, as a whole.

1685. Are you aware that Sir Robert Peel, in proposing the Act of 1844 to the House of Commons and to the country, stated, that the Bank of England was to be divided into two parts; namely, a bank of issue to be so regulated as to secure convertibility, and a banking or deposit branch, which was to be considered perfectly separate and distinct from the issue department, and that the Directors were to carry on their banking transactions for the benefit of their proprietors without respect whatever to any national interest?—I am aware that division was made, and that that was in fact part of the principle of Act of 1844.

1686. Do you consider that the Bank Directors are bound primarily to attend to the interests of their own proprietors or not?—What may be their duty to do under such circumstances it is difficult for me to define. I presume that is the principle on which they are expected to act; but whether it is their duty so to act, I have the greatest doubt, because I very much doubt the wisdom of the division as far as it leads to the conclusion that the banking department is to follow their own interest without reference to the interest of the community.

1687. Are they not so placed by law?—They are placed so by law, but I doubt the wisdom of it.

1688. Do you believe that the Bank Directors, giving them credit for the best judgment, having a duty to perform to their proprietors, can serve both the public and the proprietors?—The Bank can protect the interest of both.

1689. Then if they ought not, why do you think that they ought to have any control over your banks at Norwich?—When I brought forward the Bank as a controlling power, I did not mean to say that it was the only controlling power that could exist, but that, under the circumstances, they are at present the only controlling power, and I apprehend that it exists safely in their hands.

1690. How can it exist safely in their hands as regards the public at large, when you admit that their duty is to attend primarily to the interests of their own proprietors?—I do admit that the principle of the division by which they are to attend to the interests of their proprietors, does clash, to a certain extent, at times, with the interest of the public.

1691. Would it not be better that that clashing on a question so important as the

the currency, should in some way or other be prevented?—I think it would be much better if the clashing were prevented, but I think the best way of prevention would be by the Bank not governing their banking department simply with a view to their own interest; I think that would be the better way of getting over the difficulty.

1692. Do you mean to say that the interests of the proprietors of the Bank of England are to be sacrificed, in order that they may influence or protect the general public credit of the country?—I think, to some extent, the interest of the Bank proprietors ought to be sacrificed for the good of the public; they have a charter from the public; they have advantages from the public, and I think that if they did to a certain extent sacrifice on some occasions the interests of the proprietors for the interests of the public, it would be only reasonable, considering the advantages they have.

1693. Do you think it right that a portion of the community should have privileges and advantages over the rest?—So far as that question leads to the important question whether you should have a Bank of England at all, and it should have peculiar privileges, I think it is important that there should be such an establishment, and that it should have peculiar privileges.

1694. You are of opinion that there should be a national bank?—I am of that opinion.

1695. Do you think that that national bank should be established with reference to the interests of the community at large?—Most undoubtedly.

1696. Then how would you reconcile making the Bank of England with its present proprietors that national bank, when their duty is to act entirely for the interest of their own proprietors?—I do not reconcile it, because I think that a strict attention to the interests of their own proprietors may be carried too far; in fact I object to that principle under the present Act, I think it is unsound.

1697. Is the double power of the Bank Directors, admitting that the interest of their proprietors and the interest of the public are irreconcilable, in your opinion a sound principle?—It requires discretion in its exercise.

1698. May it be inferred from the answers you have given, that it would be better to have a national bank, the object of whose directors would be to attend to the general interests of all in Norfolk and in London and everywhere, rather than to have such an establishment as the present?—If the question leads to the consideration whether there should be a bank of issue and a bank of issue only, I certainly think (it may be from old habit) that the Bank as constituted before 1844, before this distinction was drawn, is a better plan than having a bank for the circulating medium only, and that in the main, it has worked very much for the prosperity of this country; I should certainly be very sorry to see it changed.

1699. How far do you think that any body of proprietors, whatever their judgment may be, should have the power of interfering with and controlling that which affects the interests of all men in every part of the country, seeing that they are called upon primarily to attend to their own interests?—There may be somewhat difficult to answer in the principle of it, but I think the working of it has been good, and I am adverse to any substantial alteration in the Bank of England, or in the system of supplying the country with circulating medium.

1700. Do not you admit that for the present it does not work well?—I have stated that in some respects it has not worked well under this Act, and that a better working might have taken place; but that does not go to the extent that the system is altogether bad.

1701. Have you not said that the late crisis has been more disastrous than any former one, and that you consider it to have been aggravated by the Act of 1844?—That is my opinion.

1702. Then why should you wish that that should be continued?—I do not wish that that should be continued; I wish that a relaxing power should be added to the Act, which would alter its character very materially.

1703. In order to carry out such a relaxing power, it must be decided in whose hands the power is to rest; in your opinion ought it to rest in the Chairman and Deputy-chairman of the Bank of England, or in the whole Court, or with the Government; with the First Lord of the Treasury and the Chancellor of the Exchequer for instance?—It is difficult to come to a judgment upon that; I should be best satisfied if it were in the hands of the Bank of England; but at the same time that I think that would be the best description of relaxation, I quite admit that that would go far towards weakening the principle of the Act; and therefore

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2. *Gurney, Esq.* I should be satisfied if the power of relaxation were in the hands of the Government.

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1704. By the returns before the Committee, it appears that the Bank very often issues notices with respect to the rates of discount, which are often changed; do you know whether those orders are issued by the Chairman and Deputy-chairman together, or by the whole Court, or in what way the decision is come to?—I believe the decision is in the whole Court; but I apprehend that it is frequently discussed beforehand, in what is called the Committee of Treasury.

1705. When you say that you should be satisfied if the relaxing power were in the hands of the Bank, in whom would you place that confidence, would it be in the Governor and the Deputy-governor, or in the whole Board?—I should say in the whole Board.

1706. Have you thought whether the ordinary banking transactions of the country might not be left fairly without any law; in fact that there might be free trade in banking, as well as free trade in other matters?—As far as I know, there is free trade in banking, with the single exception of the amount of notes that a country banker may issue, which is a very small proportion of his business.

1707. Can you form any idea what proportion of the business of a banker consists of issues?—I believe the proportion is as various as is the number of bankers.

1708. You admit that country bankers cannot issue 10*l.* more than is required; then do you think that there is any necessity for any restriction upon their proceedings; might they not be left to the exercise of their own discretion, the same as the Bank of England?—I have stated my opinion that the restriction upon the country bank circulation has altogether worked well.

1709. You admit that the restriction has not been beneficial?—My opinion is that the Act with its restrictive character has been on the whole injurious, not only in London, but throughout the country.

1710. *Mr. Cayley.* Within your knowledge, has less pressure occurred in those country districts where country bank notes have circulated?—Perhaps there has been less pressure, but that has not been owing to their having country bank notes, which circulate more in agricultural districts than in commercial; the late pressure has fallen in a peculiar degree upon the commercial community, and therefore, in the districts where there have been few country bank notes, the pressure has been more severely felt; but that has nothing to do with the description of notes in circulation.

1711. The pressure has chiefly existed in Lancashire and in London, where Bank of England notes almost exclusively circulate?—The pressure has been much heavier in the commercial districts than in the agricultural, wherever those districts may be.

1712. Have you seen any reason to be of opinion that Bank of England notes should be substituted generally for country bank notes?—I see no reason whatever that it should be so.

1713. Supposing the same pressure to exist in the rural districts, which has existed in the commercial districts, do you think that the want of the power of relaxation, on the part of the country bankers, might operate in the same way as the want of the power of relaxation has operated in London, where the Bank of England notes form the circulation?—Clearly in case of periods of difficulty in agricultural districts, the want of relaxation would be felt there in proportion to the extent of their respective transactions, but transactions in the agricultural districts are of a much more limited character.

1714. If the country banks were to give increased accommodation during a period of pressure with their present limits, would not they be obliged to do that out of their capital?—They would be obliged to do it out of the amount of money which is lodged with them on deposit, rather than the amount of money which arises from the circulation of notes.

1715. But in periods of pressure their deposits are very much lowered?—They are lowered sometimes very considerably; of course, in the agricultural districts, when there is a bad harvest the deposits are considerably reduced.

1716. At a time when the deposits were very low, and there came a state of pressure in a country district, would not the absence of the power to relax by the country bankers, unless they increased their capital, lead to very considerable pressure?—It would lead to pressure, but whether beyond what is natural and what is right for every district to bear, I should doubt.

1717. Do

1717. Do you consider the limit imposed by the Act of 1844, to the issues of country banks, the best possible limit?—I should say not the very best; but I do not think it is a question of any national importance at all.

1718. Do you see any reason why the year 1744 would not have been quite as good a limit to take as the year 1844?—There is no reason why it should not be quite as good a limit.

1719. Do you think that the year 1744 would have been as good a limit as the year 1844?—Inasmuch as it probably would have been much less, it would not have been so good.

1720. In point of fact the requirements of country bankers depend very much upon the transactions which occur in their neighbourhood?—In their particular district.

1721. Have not those transactions a tendency progressively to increase?—These transactions clearly increase with the prosperity in their particular district.

1722. Then, if these transactions should have increased 20 years hence in consequence of advancing prosperity, might not that limit, established in the year 1844, be too low a limit?—I think it will be too low a limit, and that an alteration may take place to the advantage of the community as well as to particular bankers.

1723. You have stated, with regard to the power of relaxation of the Act of 1844, that you feel considerable difficulty as to where you would place the power of relaxing; is that difficulty occasioned in your mind by this circumstance: that, although you think the Directors of the Bank of England may have a selfish interest in wishing to relax the restriction of the Act, yet that considering the danger of being governed altogether by theory in the management of the currency, you think there would be less danger upon the whole in being governed by the interests of the Bank Directors, which interests would generally go with the interests of the public, than it would be to be governed by theory alone?—It is my opinion, that it would be less dangerous to the community, if in the hands of the Bank Directors; but I should here state, that it is my judgment, that the conduct of the Bank Directors has been disinterested in the management of the Bank.

1724. Would you say that the country has less to fear from the selfish interests of the Directors of the Bank of England than from the theory of philosophical writers upon the subject?—My opinion is, that the public would have very much less to fear from the Bank Directors than from any system of theory.

1725. If there were a relaxing power given to the Bank, or to any one department of the State, how would the system differ from what it was before 1844?—I think that the principle of the Act would remain as the point always to be attained; it would be a wholesome standard.

1726. The power of relaxation was exercised by the Bank before 1844?—Clearly so.

1727. You were understood to say, that you would trust the Government upon the whole, rather than the Bank, to relax?—No; I prefer the Bank to the Government; but I think it would be a power of relaxation that in all probability would meet the case if it were in the hands of the Government.

1728. You think that the Bank before 1844 managed very well?—In my opinion it was extremely well managed.

1729. And you think the Government in 1847 relaxed too late?—It is my opinion that they relaxed too late.

1730. Then why should you prefer the relaxing power being with the Government, when you say that if it had been with the Bank of England last autumn the limit would have been relaxed earlier?—I stated I preferred its being with the Bank.

1731. Within your experience could good bills always find the means of discount during the pressure in April and in October 1847?—During these pressures there were certain days on which it was impossible to get bills discounted, and the holders of such bills were compelled to take the consequences of not getting them discounted.

1732. If that state of things were to last, could the trade of this country be carried on?—Certainly not; and for every day that it does last it does an infinity of harm.

1733. Did bankers' bills increase materially during the period of pressure?—Not very materially.

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1734. Was

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1734. Was there a positive dearth of bank notes?—Never a scarcity of bank notes; but the difficulty was to get hold of them.

1735. To what do you attribute that difficulty?—In a large degree to the alarm arising from the restrictive character of the Act of 1844.

1736. Under the circumstances in which we were placed in 1847, would you say that to three-fourths of the community there was a positive dearth of bank notes?—It is impossible to answer as to the proportions of the community, because of the large proportion that ever touch a bank note at all, whose transactions are only in coin.

1737. But practically there was a lamentable dearth of the legal tender?—There was a superabundance of it, but it could not be had because of this panic and alarm, arising from the restrictive character of the Act. May I state why I know it to be so: at that time we had a circulating medium of 20,800,000 *l.*, and yet there was great difficulty in knowing where to get 1,000 *l.*; our circulating medium now is about 18,000,000 *l.* and a little more, and now we have a superabundance in every hole and corner, and we do not know how to use it, the alarm having ceased.

1738. In fact, although there was a superabundance of notes nominally with the public, practically a very small portion of the community had any?—I mean to say, that though the amount in the hands of the public was very large, the amount actually in operation was very small, and consequently this great pressure was felt very generally.

1739. Have you ever estimated the amount of bank notes with the public in actual operation under ordinary circumstances?—I have not estimated it with accuracy; but I am of opinion that under prudent restrictions the amount of bank notes which this country could do with, would be an amount that at present we should think very small; but altogether that question depends upon the degree of alarm that is in the public mind.

1740. You think that the number of Bank of England notes required, depends entirely upon the amount of credit existing in the country?—Not entirely. It depends also upon the extent of transaction.

1741. What would be your limit of bank notes?—No man engaged in money transactions can state a limit, because, at this time, we could spare 2,000,000 *l.* of the circulating medium, and would be rather glad to get rid of it; but in a time of excitement we might find the present amount restricted. It depends so entirely upon the state of transaction.

1742. Then the better the state of mercantile credit, the less amount of bank notes is required?—No; because sometimes we have a very high state of credit, rapid and large transactions, and then we want a large amount of bank notes.

1743. Are not mercantile transactions carried on very materially by bills of exchange?—They are.

1744. The pressure of 1847, you state has been more severe than any which you have ever experienced. Can you at all account for these pressures coming upon the mercantile community more frequently than they used to do?—No; I do not think it is to be accounted for, they arise from a variety of circumstances, and very frequently from a combination of circumstances; you would find no two periods of pressure arising from exactly the same cause.

1745. Would not you say, that we have seen more of these pressures in the last 20 years, than in the previous 20 years?—Taking the last two years they have come very heavily upon us; but, barring that, I cannot say that my experience would lead me to answer that in the affirmative.

1746. Have not we been rather more under the influence of theoretical legislation within the last few years?—In the last two years we have, and we have suffered from it.

1747. Has the effect of the greater frequency of these pressures been to weaken the foundations of commerce in this country?—As to the foundation of commerce in this country it is so very good, and enlarged, that to say that the foundation is substantially weakened, I could not.

1748. Do you think that within your knowledge, there are as many men of known wealth and substance in the city as there were 30 years ago?—It is my opinion, that there are a very great many more men of wealth in the city than there were during the period of the war.

1749. You were understood to say that during the pressure it was difficult to know

know whom to trust?—That is all very true, but that difficulty may not have been based in very great wisdom.

1750. You were understood to say that there had been a slight advance in the rate of interest before April 1847, but no pressure?—There had been a gradual advance in the value of money.

1751. What had been the rate of that advance; to what degree had it been?—The Bank kept the rate down, I think, to 3 per cent. till the early part of 1847; I think it was artificially kept down, by the Bank not raising their interest; in natural course it would have risen.

1752. From what rate to what rate had the value of money risen before April 1847?—I am speaking somewhat from memory; I think in the early part of the spring of 1847 we rose to 4 per cent., and in April to 6 per cent.

1753. To what do you attribute that rise in the rate of money before April 1847?—I think the rise was fully called for by the importation of food and a certain degree of excitement upon commercial transaction.

1754. Had not there been a greater increase of demand for capital, during the year 1846, than before?—There had been a considerable demand for capital, for the establishment of railways, undoubtedly.

1755. Would not that tend rather to increase the value of money, say from $3\frac{1}{2}$ to $4\frac{1}{2}$ per cent.?—It did not appear to me to have any such effect; I could not discover that it had such effect; there was a condensation of small sums into large masses, and those large masses were used in our market; so that, upon the whole, the effect was to throw more money into the money market of the city than to take it out.

1756. Then how do you account for the rate of interest being $3\frac{1}{2}$ or 4 per cent. in January 1847, and being 9 or 10 per cent. in April and in October?—In January 1847 it became operated upon to a large degree by the importation of food, and, as I stated before, by rather a rapid state of transaction; in the latter period, the autumn of that year, those causes had had a more lengthened operation and a more decided effect; but we never should have got to so high a rate of interest had it not been for the Act of 1844; I doubt whether our rate of interest would have risen above 6 per cent. if it had not been for the restriction of that Act.

1757. Do you think there was a scarcity of capital in October that produced that high rate of discount?—No, I think it was the strong apprehension that existed of the effect of the Act, and the alarm that was occasioned by it.

1758. Then you would ascribe the variation in the amount of interest from 4 to 10 per cent. during the panic, to scarcity of currency rather than to scarcity of capital?—No, but to the causes before specified.

1759. The Bank are the managers of the currency?—The Bank are the managers of the currency, and also the settlers of the rate of interest under most circumstances.

1760. Do you think that a variation to an extent of 5 per cent. in the rate of interest could be occasioned in three or four months by a positive want of capital?—It might be; I do not think in the case of 1847 it would have been.

1761. The rate of discount having been, in 1847, 10 per cent., and being now, in February 1848, $3\frac{1}{2}$ and 4, without any particular improvement in trade, and with the railway calls going on at the same pace as heretofore, would you say that that fall in the rate of interest between October and February had been caused by the replenishment of our capital in the mean time?—No; it has been caused by the state of alarm ceasing, and the notes that are in the hands of the public being in operation, which, as I stated before (applying it to the period of panic), are more than are wanted; these causes combined have produced a reduction of the rate of interest; I may also add, that the importation of food having ceased, we have a very favourable rate of exchange at this period.

1762. Then are the Committee to understand that the high rate of interest in October was occasioned by the difficulty of getting notes, and the lower rate now by the greater ease of getting notes?—Certainly; the high rate was owing to the difficulty of getting notes; and the low rate now, is from the greater facility of getting notes undoubtedly.

1763. If it had been caused by a want of capital, is it likely that that want of capital would have been supplied in the course of three or four months without any increase of trade?—I do not think it was owing to the want of capital; it was owing to the alarm that existed that the rate of interest got so high.

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1764. Have you had as much money for commercial discount the last two or three years as you had previously had?—We have had rather an unusually large amount latterly, but the effect of the state of things last autumn was very materially to reduce the amount; at present the demand for money for commercial purposes is so limited that we cannot employ all the money that is wanted to be so employed.

1765. Before the alarm in 1847 you had no pecuniary of money for the purposes of commercial discount?—I think not.

1766. Will you be good enough to explain what you meant by saying, that the country ought to bear the calamities of a deficient harvest?—What I mean by that is this: that when a country has a great calamity, a bad harvest, or any other calamity tending to its impoverishment, it must bear the inconvenience and disasters that naturally accrue from such a state of things; and that any attempt to get over it by artificial means would not be based soundly; but I also went on to say, that where the calamity was only for a short period, as was the case in February 1846, in April 1847, and in October 1847, it may be very judicious indeed to get over a particular point of calamity by artificial means.

1767. You do not think that when we are exposed to loss by a derangement in the food market it is prudent to increase the loss by a derangement of the money market at the same time?—Decidedly not.

1768. You say that the pressure in April 1847 was caused mainly by the Act of 1844?—I think it was.

1769. Would the pressure in October have happened if the pressure in April had not occurred?—I think the pressure in October, or in the autumn of 1847, would have occurred even if there had been no pressure in April 1847.

1770. Did not the pressure in April cause a great shock to credit?—To a certain extent; but not to any very severe extent.

1771. You say that the failure of the corn merchants in August was the beginning of the pressure in October; do you recollect the shock to credit in April causing the orders for corn to be suspended?—There was no very severe shock to credit in April; if the orders for corn were suspended, it was owing to the prospect that they would turn out disastrous if they were executed.

1772. Did you never hear of orders having gone out from Liverpool for corn, and of their being countermanded, in consequence of the difficulty of getting discounts in April?—It did not come to my knowledge, but it may have been so.

1773. Do you remember a sort of food panic in April as well as a monetary panic?—Yes.

1774. Wheat at that time rose to 120s.?—It did.

1775. Would that panic be caused, under an apprehension of scarcity, by a general knowledge of the orders for corn being suspended?—I hardly venture an opinion upon that point; it is a good deal out of my knowledge, the ordering of corn and the counter-ordering of it.

1776. It does not come within your knowledge that a suspension of the orders was caused by the difficulty of discount?—No, but under an apprehension of a fall in value as harvest approached.

1777. Has it ever occurred to you that the basis of our circulation might be enlarged?—I have heard such an idea suggested, and I have thought of it.

1778. How would you enlarge it?—It has been suggested whether silver might not be added to the standard of value of this country, and by that means to enlarge the basis of our circulation.

1779. Do you approve of that idea?—I certainly lean to the opinion that the limitation under which the Bank is, touching the amount of silver which they may act upon, is unnecessarily restrictive; but as to adding silver to gold, as partaking of the standard of value in this country, I am adverse to it.

1780. If the gold appeared to be going away in consequence of a temporary drain and to have become almost exhausted, would not the feeling that the Bank had a large amount of silver tend both to the reality and to the appearance of the convertibility of the note?—I think it would add to the appearance and to the reality. But at the same time I am of the judgment that silver had better not partake of being the established standard of value in this country; I think we derive decided advantage from silver being excluded.

1781. Will you explain why?—Because our silver coin is nearly 10 per cent. below its intrinsic value; and is the circulating medium to the bulk of the population.

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lation of England; and by its being so much below its intrinsic value, it never can be deranged by exportation; I think that is a very great advantage to the lower orders in times of pressure.

1782. Would not the same advantage be obtained by establishing a seignorage upon our gold?—Establishing a seignorage upon our gold would be in fact lowering our present standard of value in gold, to which I am decidedly adverse.

1783. But without any idea of debasing the standard of value?—It would be debasing the standard of value.

1784. But leaving that out of the question for the moment, if these pressures are a great injury to the commercial community generally, do not you think they would be very much benefited by any system which prevented the efflux of the standard metal so much as at present?—Of course, if you could prevent the efflux of the coin of the country, it would relieve pressure for the time.

1785. If there were a seignorage of 5 or 6 per cent. on gold, would not that have the effect, to a considerable extent, of preventing the exportation of it?—It would, in fact, be giving up our standard in gold.

1786. You object to a seignorage upon gold because it would alter the value of money?—No, not because it would alter the value of money, but because it would alter the standard of value in gold.

1787. Do you see any objection to that system?—Very decidedly I do.

1788. If the commercial transactions of the country are greatly deranged by a drain of gold frequently, would not anything that tended to remove that evil be a great advantage?—I confess myself inadequate to answer that question; but my impression is, that this country being almost the only country in Europe where the standard of value is in gold, and not in silver, is a great advantage; we become the suppliers of silver to all the neighbouring countries, and they much more easily part with their gold. In countries where the standard of value is in silver, gold rises to a seignorage, and becomes an article of commerce, and comes to this country.

1789. Are you aware that before 1816 our standard was silver as well as gold?—I have been so informed; but it must be borne in mind that before 1816 our silver coin was in an extremely bad state, and then 1*s.*, with an effigy upon it, was a rare thing to see; whatever may have been the standard of value upon our silver coin, our real coinage did not bear to go abroad, owing to its debasement.

1790. Did we suffer anything from the export of our silver?—In fact, it was so worn that it would not go abroad.

1791. It was of value to us as currency, but of no value to anybody else?—It would fetch in foreign countries its value in this.

1792. Had not we fewer pressures before 1816 than we had since?—I should not say that; my early experience in the money market was not in accordance with that; the effect of the war, and of the state of things at that time, produced more pressures than we have had since.

1793. Do you recollect upon what occasions?—We had a very severe pressure in 1810, and I think in 1812; the severest pressure that I remember, extending over a lengthened period of time, was during the whole of the year 1815; and if that appears somewhat to differ from an answer which I gave about the panic of 1847, the explanation is this, that in 1815 the pressure lasted during the whole of that year.

1794. Do you recollect that in that year the Bank prepared for the resumption of cash payments?—That was not the ground of the difficulty; it was enormous financial operations, and an enormous national expenditure, especially in foreign countries; taking it altogether for a whole year, it was a time of the most severe pressure.

1795. Do you remember the pressure extending into the year 1816 very considerably?—I think the facilities of the money market were not obstructed in 1816; it was a time of pressure upon the country from the reverting to cash payments, but still the fair transactions of the day were not particularly difficult.

1796. You do not recollect that in 1816, or early in 1817, an Act passed to postpone the resumption of cash payments till 1819?—I do remember something about it, but I do not bear the particulars with very great accuracy in my mind.

1797. You do not recollect that there was great prosperity from the middle of 1817, to the beginning of 1819, in consequence of the Bank operations?—My memory will not lead me to distinct dates.

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1798. Would

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1798. Would you say that there can be no greater evil to the commercial community than alterations in the value of money?—I am not prepared to say that it is so; but you can no more prevent alterations in the value of money than alterations in the value of wheat.

1799. But if an alteration in the value of money was created by the Act of 1844, it was an act of the Legislature?—But we should have had alterations in the value of money if there had been no such Act, to a considerable extent.

1800. Would you have had without that Act a rate of interest of 3 or 4 per cent. in January, and 10 per cent. in April?—No; I stated before that we should not have risen above 6 per cent., in my opinion, without that Act.

1801. Are you at all aware to what extent the rate of discount in certain cases was increased; how high it ever went in the case of respectable houses in the last autumn?—It is a question not very easy to answer; I do not think the value of money rose beyond 10 per cent., but there were transactions in which much more interest was charged, but it would not be fair to refer those circumstances solely to the increase in the value of money; for instance, I may have had a bill of exchange offered me to discount, having five days to run, that five days may have gone over a particular point, and I would not part with my cheque, even for five days, without I got a profit upon it; that profit, however small, made a very high rate of interest for five days; it was not because the value of money was generally increased, but it was for a specific five days that was to be got over.

1802. Then would you say that the present system does not tend to produce a very uniform value of money?—Certainly not; the system under the Act of 1844 tends to greater variations in the rate of interest than if we had no such Act.

1803. You have stated that you approved of the management of the Bank before 1844; before that time they very seldom lowered their rate of discount below 4 per cent.; would you say that that was a prudent system?—My apprehension is, that it was a more judicious course never to lower below 4 per cent., but I give this opinion with deference; it is right that the Committee should know that it is a matter upon which I personally am interested; but my apprehension is, that it would be better for the Bank never to go below 4 per cent.

1804. If you have a great deal of interest upon this subject you have also a great deal of knowledge?—I have some knowledge.

1805. If the Bank is to have a minimum rate of discount, do you think it ought to have also a maximum rate of discount?—I rather lean to the negative upon the rising side.

1806. Do you think that the repeal of the Usury Laws has operated, taking all circumstances into consideration, for the benefit of traders large and small?—I have no doubt that the relaxation of the Usury Laws has operated beneficially to the trade of this country.

1807. You never knew the rate of interest so high as during the late pressure?—I never did; I never knew it so high as in the autumn of 1847.

1808. And you never knew the pressure so great?—No.

1809. Both these circumstances would very materially aggravate the pressure in trade?—Clearly; they affect the trading community very decidedly; injuriously.

1810. Mr. Glyn.] What is the highest rate of interest you ever recollect the Bank to have charged prior to 1847?—I am not aware of their having raised the rate of interest beyond 6 per cent.

1811. Mr. Spooner.] You say that you do not approve of that provision of the Act of 1844 which requires a division of the issue department from the banking department?—I think that has not worked favourably.

1812. Neither do you approve of that provision of the Act of 1844 which restricts the Bank to a certain limited amount, under all circumstances, of issues upon securities?—My opinion is, decidedly, that to that restriction there should be a power of relaxation, and which power should be exercised with facility on particular occasions.

1813. In point of fact, that comes almost to doing away with the restriction?—It does to a large degree do away with the restriction; at the same time, by the retention of the Act, there is a good standard held up; I think it is a sound standard that is attempted in the Bill.

1814. A sound standard which should be relaxed very liberally?—A sound standard, to be relaxed with great ease under particular circumstances.

1815. Then

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1815. Then if the object of the Act was always to prevent the Bank from issuing more than a given certain amount upon securities, in that object you do not concur?—I do not concur.

1816. In what part of the Act of 1844 do you concur?—I have stated before, that I concur in it as a sound standard.

1817. A sort of weather-glass?—Yes.

1818. You have said that you approve of the part of the Act limiting the issues of country banks?—I do.

1819. Yet you were understood to say that it is impossible for a country banker to issue more notes, not even to the amount of 10*l*., than the wants of his own peculiar division of the country require?—I have no doubt whatever of that.

1820. You approve of a restriction to prevent a country banker issuing a sufficient amount for the wants of his own district?—I do under some circumstances.

1821. Then do you think that all the notes beyond a certain limited amount that may be wanted by that particular district ought to be issued by the Bank of England?—It is my opinion it is best in Bank of England notes, inasmuch as it places a controlling power in the Bank.

1822. Then do you think that the Bank of England is the best party to put a control on the issue which may be required in the peculiar local district in which a country banker acts?—Seeing there is embraced in that question that which operates upon the country at large, I think it is best in the hands of that body that have the control of the circulating medium as a whole.

1823. Is not the issue of a bank note by a country banker an operation upon his credit?—Of course it is.

1824. And is not the receiving of money upon deposit equally an operation upon his credit?—Undoubtedly it is.

1825. Why would you limit the operation upon his credit in the one case and not in the other?—Because the one is circulating medium, and as such has a peculiar character affecting the country at large; the other has not the same operation; it is money placed in his hands, which he uses as he may think proper, in the general way, in investments that he can turn into money again upon notice.

1826. Can you point to any peculiar disadvantage that arises from the use of credit in the one case, and not in the other?—The difference is very marked between that use of his credit which is circulating medium, and that which is only on deposit.

1827. How is the public affected by the difference?—The public is affected by the circulating medium much more powerfully than by the exercise of credit in any other form.

1828. Yet you say that the country banker cannot keep out more circulating medium than the country wants?—No; but by a banker acting under a limitation, which is national in its character, his issue becomes restricted to its proper proportion, so as to affect his own district to the extent to which it ought to be affected in proportion to the whole country.

1829. Are you aware what the legal tender was before the year 1798?—I cannot say.

1830. You cannot say how much the legal tender was altered by the Act of 1798, by the Act of 1816, and by the Act of 1819?—No, I cannot.

1831. Mr. Wilson.] You have stated that you thought that the Act of 1844 has had a very injurious tendency at particular periods by restricting the Bank of England in issuing notes in periods of pressure, and so rendering it impossible for them to relieve the crisis at particular periods; have you considered how far that effect is aggravated by the restriction placed upon the country banks in their issues at the same moment?—In reference to the issues of country banks, as I stated before, if their respective districts want an amount of circulation beyond their limitation, they have recourse to the Bank of England circulation, and inasmuch as they must come under the regulating influence of any of its restrictions and to bear its proportion of the inconvenience which the whole community has to bear from any restrictive system which the bank may find it necessary to adopt.

1832. Takes the periods of last April and October, you have told the committee that there was an abundance of bank notes out, but that there was a great want of confidence to use them, and that the severity of the pressure at those two particular

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cular periods arose from that want of confidence; as the same want of confidence existed in the country that existed in London, of course the country banks, fearing the possibility of being unable to comply with the demands made upon them, would feel it necessary at those particular periods to increase the amount of their reserves?—Clearly.

1833. If their issues of notes are restricted by this Act to a particular amount, would they not, at those times, be induced to send to London for a larger amount of bank notes, in consequence of that want of confidence, than they would have done had they been enabled to issue notes without limit?—Undoubtedly.

1834. Then so far the limit placed upon the country banks went to aggravate the pressure upon the Bank of England at the very moment of which you speak?—Undoubtedly, such was the effect of the restriction upon the country banks' circulation.

1835. In your experience had you a large demand from the country bankers to send down money at those periods of pressure?—Not in April, but in the autumn we had to send down bank notes very largely.

1836. And your opinion is that a large portion of the money which was hoarded was really in the hands of country bankers?—A considerable proportion of it was.

1837. Do not you think that the amount so sent would have been much smaller if they had not been restricted in their issues by this Act?—I do not think it would have lessened the want of Bank of England notes.

1838. Therefore the restriction upon the country banks goes to aggravate the fault that you find with this Act?—It does.

1839. But it is only upon occasions of severe pressure that the Bank Act of 1844 has been found to act injuriously?—Clearly; it only comes into operation during times of severe pressure.

1840. At other times it is a dead letter?—It is a dead letter, as it were, now.

1841. Then at the only moment when it does come into operation its injurious effect is aggravated by the limit that is placed on the issues of the country banks?—Undoubtedly at those particular junctures.

1842. Then if you object to the Bank Act of 1844, because it aggravates the crisis by its restriction upon the Bank of England, does not the same objection apply to the Act also in its application to country banks, inasmuch as by restricting their issues it further aggravates the crisis?—I think not, for this reason, that if a power of relaxation is given to the Bank of England, it then relieves the point as it relates to the country banks, because if they can issue notes and supply the country banks, the country banks are supplied under the relaxation given to the Bank.

1843. You are assuming now that a relaxing power is given to the Bank?—Yes.

1844. Hitherto it has aggravated the evil?—Beyond all question, hitherto.

1845. As far as the operation of the Act has gone, so far the limitation to the country banks has been as injurious as the limitation upon the Bank of England?—It has added to the injury on such occasions of pressure.

1846. But what would be the use of giving a relaxing power; you say that during a period like the present the Bank Act of 1844 is inoperative; then, if at the only period when the Act of 1844 becomes operative, and really restrictive, and is felt, it is to be relaxed, what benefit do you expect from the operation of the Act at all?—Only as a good sound standard to hold up.

1847. What you mean by a good sound standard is simply that the Bank of England, or any other issuing bank, should at all times keep a sufficient amount of reserve to be able to meet their payments, which is what the Bank Act contemplates?—Clearly; it is highly desirable that they should.

1848. You approve of the general tendency of the Bank Act of 1844, because you think it may act as a barometer; with respect to what part of the action of the Bank does it act as a standard or barometer?—That the amount of their notes should in a considerable degree be regulated by the amount of bullion they may possess.

1849. Your opinion is, that although you would not by an Act of Parliament restrict the Bank as to the amount of bullion they should hold, but rather leave some discretion in their hands, yet your general appreciation of the Act is, that it tends to point out to them and to the public, that they should hold a very considerable quantity of bullion?—Yes.

1850. Is

1850. Is not that simply what the Bank would do of their own accord if they managed their business discreetly without the Act?—Clearly they would do so without any Act, and have done according to my previous experience.

1851. Therefore if the Bank of England managed its business discreetly, the Bank Act of 1844 is not required, if it is to be relaxed when you come to those particular periods?—That is a reasonable conclusion to draw from the answers which I have given, but I do not think I have given an answer to that extent directly.

1852. You say that in 1846, in the month of August, there was a very great abundance of money?—Yes; we were in a flowing state of money.

1853. You said, that in the course of the autumn your house had the sagacity to foresee what was coming, and that you commenced drawing in?—Yes, towards the end of the year.

1854. Will you have the kindness to mention what the circumstances were which induced that precaution at that period?—We know that there was a very deficient harvest; and that we must have a large importation of food; we also felt that the demand upon us was rather too active, and that prudence dictated a system of drawing in.

1855. And therefore on that account you felt disposed to limit your transactions?—To limit our transactions, instead of extending them.

1856. And rather to be chary in advancing money, and indisposed to take money?—Yes.

1857. If the Bank Directors had exercised the same foresight and sagacity, would the same reasoning have operated with them at the same time?—They had a great deal of money to employ, for they had all the Government money, and their coffers were full; they employed it freely; I cannot charge the Bank, under the system under which they were to act, with any degree of imprudence.

1858. When money was very abundant, probably your coffers would have been equally full if you had chosen to have them full?—If we had taken active means, they would have filled more rapidly than they did.

1859. If you had chosen to have done business to a large extent, there was no difficulty in doing it?—We did business to a large extent, but our tendency was to limit it as far as we could.

1860. We have heard a great deal to-day about the conflicting interest between the public and the Bank with reference to the rate of interest; upon reflection, do you think that the interest of the Bank and the interests of the public really are very adverse?—Whether they are so in truth I very much doubt, but they may appear to be so for a given period.

1861. Do you not believe that any reason which would induce the Bank of England, with reference to public considerations, to increase the rate of interest, would render it beneficial to the Bank also in the long run?—If the circumstances of the country, touching its monetary system, really warranted a rise in the value of money, it is for the advantage of all parties that it should take place.

1862. With reference to the particular period to which we allude, do you think or not that it would have been equally advantageous to the public and to the Bank, if, seeing that there was a deficient harvest and a necessity for a large importation of grain, and other great demands upon the money market, they had raised the rate of interest at an earlier period?—I think it would have been better for themselves, and for the public too.

1863. Would it not have materially checked the efflux of gold in the first instance?—I doubt it; but may I venture to comment upon that question; there are periods when it is not very judicious to stop the efflux of gold, and, in my opinion, the efforts made were far too violent for that end, considering the interests that were at stake in it.

1864. At what period?—It is difficult to define periods; but I may say that when this country was actually in want of food, when large portions of our people were actually starving, to say, "Gold shall not go out," which was the sense thing as saying, "Food shall not come in," was a very dubious measure.

1865. Is it not the fact that gold only goes out of the country because there is a balance of payment against us, and if there is any other means of meeting the balance of payment, there is no necessity for gold to go out?—That is very true.

1866. And if by raising the rate of interest at an earlier period you accomplish the same end by another means, without an efflux of gold, is it not your opinion that it would produce less derangement in our currency?—Raising the rate of

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interest operates upon the efflux of gold to a certain extent; but many attach to the variations of the rate of interest alone too much importance; to exemplify that, if the Bank had not only raised the rate of interest, but restricted their transactions also, it would more immediately have affected prices, and it would have had a more direct effect in causing the food we required to be paid for in goods. A rise of interest, from 3 per cent. to 4 per cent., is a very small sum upon any particular transaction in actual money; for instance, supposing it resolves itself into a three months' transaction, it is a question of 5s. in 100*l.* only. I think that the variations, as I stated before, in the value of money, have too much importance attached to them in these questions; I do not mean to say that they have no bearing, but too much importance is given to that question.

1867. Are not the prices of public funds, both foreign funds and home funds, in a great degree regulated by the rate of interest?—Much less so than is supposed.

1868. As money becomes scarce and dear, does not the price of Consols and of Dutch stock and other foreign stock fall?—It has its effect, but it is by no means the only ground for variations in this matter; for instance, we have had periods when money on Consols has been worth 10 per cent.; what is the effect of that? it amounts for six weeks perhaps to 5s. only in the 100*l.*; if the value of money becomes permanently high in the country, it affects the value of Consols heavily; but if it is only for a particular period it does not affect it much.

1869. Last spring, had not the raising of the rate of interest and the scarcity of money an immediate effect in reducing the price of all public stocks?—A very slight effect; if the Bank raises the interest from 3 per cent. to 4 per cent., it does not affect the price of Consols many shillings in the 100*l.*, but if the value of money permanently increases, it affects prices very materially.

1870. Was it not the case last spring, that a very large quantity of foreign stock went to the continent when we first raised the rate of interest here?—I have not experience in that, it is not a market that I have much experience in.

1871. Are you aware that when the exchanges turned against us first in the early part of the year, very large payments were made in corn in order to rectify the exchanges by the transmission of foreign stocks?—It did not come to my knowledge, but it may have been so without my having heard of it.

1872. When we come to the month of April, you stated that prior to the month of April there was no discredit or pressure; have you considered what especial effect the Act of 1844 has with reference to the payment of the dividends?—No, I have not.

1873. The Act of 1844 prescribes that the Bank shall not issue under any circumstances more than a certain number of notes; previously to the payment of the dividends the Bank are in the habit, during the preceding four or five weeks, of lending large sums of money in advances upon securities, which advances are generally made to be repayable immediately after the payment of the dividends, and in fact anticipating thereby the payment of the dividends; now will you have the goodness to state what your opinion is with regard to the action of the Bank Act of 1844, in preventing the temporary expansion of the circulation at that particular period to meet that particular object?—The Act adds to any difficulty that may exist in the market.

1874. Suppose there had been no Bank Act of 1844 at that period, and that the Bank had had unlimited power to issue notes at those two periods, your opinion is, that the payment of the dividends would have been made without any difficulty?—Clearly.

1875. You are of opinion then, that an increased circulation of notes for that particular occasion, and at that particular time, would not have been a permanent increase?—Clearly not.

1876. Their return would have taken place within a week or two, or a very short period?—Within a short period.

1877. In point of fact, the increased circulation consequent upon the payment of the dividends, is only for a temporary purpose, for which the bank notes are used to transfer capital from one hand to another, and then to return to the Bank?—In general, such issues are only of a temporary nature, and have no important general bearing.

1878. And therefore, such an increased circulation at those particular periods, could have no effect upon prices, supposing a permanently increased circulation?—I do not think such increase has any immediate effect upon price.

1879. Nor

1879. Nor upon credit?—Nor upon credit.

1880. The Bank of England, in increasing its circulation at those particular periods, does not increase its liabilities, inasmuch, as for every note that it issues, it diminishes the debt due to the Government to that extent?—That is clearly so.

1881. Therefore the Bank of England may, at a particular period, increase its issues to any amount that may be necessary, without increasing its liabilities, and without increasing the circulation of the country so as to have any effect upon prices?—Admitting that it is for a limited period only, it has no such effect.

1882. First of all, the Bank has made advances for short dates prior to the payment of the dividends; those loans at short dates are to be repaid immediately after the payment of the dividends?—Generally speaking, that is the case.

1883. But they require to extend their issues because the parties who receive the dividends are not the parties that have to repay the loans, therefore is it not the fact that they have to pay the dividends, and that those dividends immediately find their way in repayment of the advances?—Generally speaking, the Bank lends so much money before the payments of the dividends, that when they are paid, the repayment of such loans regulates the circulation, and it will be discovered that the actual increase (I am now speaking generally) in the amount of their issues in consequence of the payment of the dividends, is not much increased; perhaps it may run up 1,000,000*l.* sterling for a few days.

1884. Sometimes 2,000,000*l.*?—Never, I think.

1885. Do you think that under any circumstances the Bank of England never could keep out more notes than the public required for their own use?—Certainly, artificially, they may get out notes beyond the requirements of the public, but a large amount of those notes are inoperative; at this time, the amount of notes in the hands of the public is quite beyond the requirements of the public; but the Bank have got them out.

1886. You say that the Bank have got them out, can you give the Committee any idea where they are?—I should say, that there is no banker in London at this time, but has many more bank notes in his till than he requires.

1887. A larger reserve than they require?—A large reserve.

1888. And in the country too?—The country bankers have not the same surplus; if they have a surplus they always send it to London in usual course.

1889. Is it not the practice of the London bankers and of the bill-brokers to keep an account with the Bank of England?—Yes, we all do.

1890. Then, under ordinary circumstances, would a London banker keep at any particular period a larger balance in his own till than is convenient for carrying on his business?—I am not a competent judge; but as far as I know, they do; but most of them lodge it in the Bank of England.

1891. It goes back into the Bank of England in the shape of deposits?—Yes; I have no doubt that the cash deposits at this time would be at least 2,000,000*l.* sterling belonging to bankers.

1892. When notes go back to the Bank of England in the shape of deposits, they are no longer notes in the hands of the public?—They are not, as a matter of fact; but they equally bear upon the value of money; they operate as circulating medium.

1893. The presumption of the Act of 1844 is, that by the number of notes issued by the Bank in the hands of the public, the trading operations of the country can be managed; now, what is your opinion as to the power of the Bank to keep notes out to any particular extent?—I think that artificially they can do it, admitting always that the amount of money that is in the hands of the Bank from the bankers of London is in fact the same thing as circulating medium.

1894. But the Bank Act does not admit that?—No, but it is so in fact.

1895. But the Bank Act of 1844 contemplates only notes?—The Bank may buy Exchequer bills and Consols. Supposing they buy 1,000,000*l.* of Consols, and pay for them in bank notes, what becomes of those bank notes; they are paid by the Bank, therefore the Bank has in fact arbitrarily increased its notes to the amount of 1,000,000*l.* sterling. The bankers find that they have this 1,000,000*l.* sterling more than they want, and pay them on their account into the Bank.

1896. Therefore you have shown the Committee that practically, although the Bank could increase their investments by buying Consols or Exchequer bills to

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the amount of 1,000,000*l.* sterling, yet it would be impossible to keep out that 1,000,000*l.* of notes?—They cannot in that form, unless you say that the deposits of the bankers are the same thing as notes in circulation, which in fact is the case.

1897. The effect in the Bank accounts, of the operation which you have so accurately described, would be, that on the one side we should see the securities increased by 1,000,000*l.*, and on the other side, the deposits decreased by 1,000,000*l.*?—The investments would be increased, and the deposits also increased, so far as the official return goes.

1898. Is not it clear then, that as far as regards the increase of the circulation, the Bank has no power at all?—I have not come to that conclusion; such is not the case.

1899. You have stated that if they came to your market, and wanted hills, you would say, we have not got hills for you, but they might go into the market and buy Consols or Exchequer bills, and that the money would be paid into the hands of private bankers, who would immediately return it to the Bank of England?—It is according to whether the bankers pay those bank notes into their account with the Bank, or keep them in their tills.

1900. Mr. Hudson.] Or to send them into the country?—They do not send them into the country; it is practically, increasing the circulating medium.

1901. Mr. Glyn.] Affecting the value of money?—It is so in fact.

1902. Mr. Wilson.] If the Bank purchase 1,000,000*l.* of securities with 1,000,000*l.* of notes, and if you say that those notes are returned again to the Bank, is not this the only change which takes place in the money market, viz. that A. B. and C. D. who held 1,000,000*l.* of securities yesterday, hold 1,000,000*l.* of notes to-day, or deposits in the Bank representing those notes, and the Bank who before held those notes now hold the securities; is not it a mere transfer from one hand to the other?—I will take the operation at a time of active use for money, and that will throw a little more light upon it; supposing the Bank buys 1,000,000*l.* of Consols and issues 1,000,000*l.* of notes, then the 1,000,000*l.* of notes do not go back into the coffers of the Bank even in the form of deposit, but they diffuse themselves in the tills of the bankers, and there are so many more notes in circulation actually.

1903. If the notes were wanted by the bankers for active purposes, would not those bankers have equally drawn out notes from the Bank; if their reserves were in that state that they conceived that those bank notes were required to increase their reserves to carry on the transactions of the day, would not they have sent to the Bank and drawn out those notes?—My last supposition was under circumstances in which there is an active demand for money; in that case, the bankers do not keep any surplus money on their account, or at least not to any great extent, at the Bank.

1904. Sir William Clay.] You mean that the creation of 1,000,000*l.* of notes by the Bank upon the supposition put to you, does, according to your experience, increase the amount of money in the money market to that extent?—Certainly.

1905. And has a distinct effect upon the facilities of getting discount?—Yes, and lowers prices no doubt.

1906. Mr. Wilson.] And it lowers the value of money?—Yes.

1907. Inasmuch as you admit that those notes would not remain in the hands of the public, but would go back to the Bank, is it not the fact, that according to the old form of the Bank accounts, as they used to be published, the circulation would not be increased by such an operation; you recollect that the old Bank form of returns stated on the one side the circulation and deposits, and on the other the bullion and securities; according to that old form of the Bank accounts in which the word "circulation" is applied to notes out of the Bank, the operation which you have just alluded to would not have increased that sum?—If such an operation took place at a time of surplus circulation, and the bankers increased their deposits, the Bank returns would not show an increase in their circulation.

1908. If there was a great demand for money for increased circulation on the part of the public, the notes would remain out?—Yes.

1909. Whether they remain out, or whether they go back to the Bank, depends upon the demand for money?—Such is the case.

1910. Take the reverse of the transaction; supposing the Bank of England to contract its circulation, the course which they would take would be to sell securities?—Yes.

1911. If

1911. If they took 1,000,000 l. of securities into the market, and sold them for Bank notes, what effect would that have upon the circulation?—It would abstract from it such an amount of Bank notes as they sold their securities for.

1912. They would receive bank notes from those who purchased the securities, and those who purchased the securities must fall back upon their deposits with their bankers?—Yes, the bankers would have to give up so much of the bank notes in their hands.

1913. And as the bankers hold no greater quantity of bank notes than is convenient for their reserve, they would be obliged to increase that quantity by going to the Bank of England?—If they had not the notes to spare that would be so required, they would be compelled to get them elsewhere; if they had the amount they wanted on their accounts with the Bank of England, they would draw upon their accounts for it. There is no practical distinction in the working of things in the city between notes in actual circulation and the amount of the deposits of bankers with the Bank; it is the same thing, and any operation which tends to increase the amount of deposit of the bankers at the Bank of England is the same thing as issuing so many notes and their remaining out of the market; and the reverse is the case if the Bank sell their securities and withdraw their notes, though it may compel the bankers to withdraw the amount from their deposit accounts; it comes to the same operation; there is less money on the deposit accounts; in fact, it is the same result as if they had taken them in bank notes, and I believe that in looking at these questions, the money the bankers' deposits are looked upon as bank notes and circulation, the less the matter will be confused.

1914. Therefore, the quantity of notes in the hands of the public you do not consider as any very important criterion in the money market?—Yes, I do, very important.

1915. With respect to one particular part of the operation of the Act in April, you have stated that there was very little, or no want of confidence prior to April, but that immediately after the payment of the dividends in April the pressure became very severe, and some want of confidence arose in consequence of that pressure. Now, supposing we had been going on under the old system, your opinion has been expressed that we should have had little or no pressure at that period?—I think none, or but little.

1916. And that therefore there would have been no restriction in the money market, and no very large rate of interest charged, and that in fact the period would have passed over with very little difficulty?—That is not stated quite according to my view; my opinion is, that if there had been no Bank Act of 1844, and no division between the two departments of the Bank, there would have been a restriction put earlier on the part of the Bank, and that restriction operating rightly and wholesomely, would have tended to restrict everything more or less in the city earlier than was actually the case in April last; and my opinion is, that the restriction being put earlier, as I firmly believe it would have been, according to all past experience of the wise and prudent conduct of the Bank, we should have met the difficulty in April beforehand, and there would have been no difficulty beyond the natural and proper difficulty which a very deficient season and a large importation of foreign grain naturally and rightly called for.

1917. This earlier preparation would have been a rise in the rate of interest, and a restriction in their advances?—Yes, at an earlier period.

1918. Had that earlier restriction and rise in the rate of interest taken place, notwithstanding the existence of the Bank Act, it would have had the same effect in April?—If they had restricted earlier, it would have had an effect.

1919. You have stated that there was a great corn crisis and a very high price of corn at that particular period; now, if the rate of interest had not risen very high, and there had been ease in the money market at that time, and no check to credit, would not the importations of corn have gone on to a much larger extent?—I do not think that the importations of grain would have been materially affected by it; if the orders were countermanded it was that people began to see that the price was very high, that the harvest was coming on, and that corn speculation was very precarious as to the result.

1920. Are you aware that it was the end of May before there was any decline in the corn market?—It is very true; but I recollect that there was a great deal of conversation in the city warning of the approaching harvest, without reference to what the price was in April or May.

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1921. Do you happen to be cognizant of the fact, that gold, which had been destined for the United States as a profitable exchange operation, was, in consequence of the particular pressure at that time, re-landed from the ship in Liverpool, and kept in this country?—There were 100,000 sovereigns so re-landed in one day.

1922. Would not that gold have gone, had there been no pressure here at that moment?—Those 100,000 sovereigns would have gone.

1923. And probably a great deal more?—That I cannot say; I recollect, with respect to that 100,000 £., the shippers telling me, that in the present state of the money market, they did not choose to send it; but whether it would have operated much beyond that, I do not know.

1924. Sir W. Clay.] Do you think that the Bank would have been more prudent in the early part of 1847, if the Act of 1844 had not been in existence?—I think they would, because they would not have been told that in their banking department they were simply to get as much money as they could.

1925. Were you quite satisfied with their conduct during the course of the year 1839?—I cannot bear in mind exactly the year 1836; I remember 1836 and 1837 much better.

1926. Mr. Wilson.] You consider that the pressure which was put upon the money market in April, which in your opinion acted as a restriction, which would not otherwise have existed under the old system, had an effect in October?—Inasmuch, as the severity of the pressure was aggravated by the Act, I have no hesitation in saying, that the increased severity tended to put things, if I may so say, into a contrary direction more suddenly; very likely it prevented the shippers of those 100,000 sovereigns from sending them; but still may I venture to say that there are occasions, whatever may be our state of gold in the Bank, when our people are starving for want of food, on which we are not to be told, *coute qui coute*, the gold shall not go; the people shall starve; but this extreme severity put upon things tended to that; the gold shall not go; then the result of that is, the food shall not come.

1927. Sir William Clay.] Has it come within your own knowledge that a considerable amount of capital has come from abroad for investment in English securities in the latter part of the year 1847?—It was stated that there was a great deal of money came to be invested in English securities in the month of November, and in the latter part of the year, but to what extent it was true, I have no means of judging.

1928. Have you any means of knowing whether English capital embarked in foreign funds was brought back by the financial state of England in the close of the year 1847?—It did not come under my notice.

1929. You have yourself no means of knowing to what extent the monetary condition of England in the year 1847 brought English capital back from investment in foreign securities?—It did not come under my notice at all.

1930. Is it your impression that it was the fact?—My impression is, that operations of that nature took place to a certain extent, but whether to any very large extent, I do not know.

1931. Lord George Bentinck.] Amongst the many shrewd and wise remarks you have made, you have observed, that to say "Gold shall not go out," in fact, meant "Food shall not come in;" supposing that the harvest of 1847 had been such another harvest as the harvest of 1846, would the effect of this Bank Charter Act have been to have starved the people?—Without saying that it would have gone to that extreme case, I think it would clearly have had the effect of decreasing the facility of the introduction of food.

1932. You have already said that the effect of the Bank of England issuing 1,000,000 £. of notes would be to lower the value of money, would not it also facilitate the outlay of money in improvements, and in various beneficial investments?—It would, generally speaking, lower the value of money and give facilities; whether those facilities would tend directly to that description of outlay may be questionable.

1933. For example, supposing a great company wanted to lay out 500,000 £. in the drainage of a large extent of country, would it not facilitate such a work as that?—Not very perceptibly, I think; it would fan speculative spirit in the creation of shares for the sake of the sale of them at a profit; but I am afraid that the mere drainage of land would be thought too tame for such an object.

1934. Mr.

1934. Mr. T. Baring.] Did it come under your notice that the difficulty of obtaining discounts in April or in October had any effect upon the export trade? —A very decided effect in checking the export trade.

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1935. Mr. Cayley.] That was the intention of the Act, was not it?—I do not know.

1936. Mr. T. Baring.] In the imports of corn, when the profit may be 50, or 60, or 100 per cent., do you think that raising the rate of interest would check a speculation of that kind?—It would not.

Martis, 29^o die Februarii, 1848.

MEMBERS PRESENT.

Sir Robert Peel.
Mr. Herries.
Mr. Thornely.
Mr. Beckett.
Mr. Spooner.
Mr. Baring.
Mr. Cardwell.
Mr. Hume.
Sir James Graham.
Mr. T. Baring.

Mr. Glyn.
Mr. Hudson.
Mr. Dimes.
Mr. Cayley.
Lord George Bentinck.
Mr. Alderman Thompson.
Mr. Wilson.
Sir William Clay.
Mr. Goulburn.

THE RIGHT HON. F. T. BARING, IN THE CHAIR.

John Horsley Palmer, Esq., Examined.

1937. Chairman.] YOU are in the direction of the Bank of England?—I am. J. H. Palmer, Esq.

1938. Will you have the goodness to state to the Committee what you consider to have been the state of trade at the commencement of 1847?—I think it was in a very good state. 29 February 1848.

1939. You think, generally speaking, trade was in a wholesome state?—Yes, I do.

1940. What is the state of the commercial classes now?—Generally speaking, there is a great destruction of credit, and very considerable distress even still, I believe, exists in the manufacturing districts; prices are very low, and great losses attend all importations.

1941. What do you consider to have been the state of 1847, as compared with 1825; were you in the Bank direction in 1825?—I was in the direction of the Bank at the time, but my memory is too imperfect to enable me to speak to the state of things at that period.

1942. I need not ask you whether you were in the direction of the Bank in the subsequent difficulties of 1837 and 1839?—I was.

1943. Do you consider that the state of distress, during the last year, has been greater than it has ever been in your recollection?—Certainly greater than it was in 1837 or 1839, but I do not remember sufficiently the state of credit, in 1825, to give an accurate opinion at the present time.

1944. What do you consider to have been the causes of the distress in the last year?—I consider the commercial distress in 1847 to have arisen from the deficient harvest of 1846, and the failure of the potato crop of that year, which rendered necessary a very large importation of foreign grain; consequent upon the arrangements made for that import, the exchanges with the continent of Europe and America rapidly declined, and between the months of December and April the demand made upon the Bank, in the banking department, reduced the reserve from nine millions and a half, in December, to three millions in April; the last two millions and a half of which reduction took place between the 27th of March and the 17th of April. In consequence of that sudden reduction the Bank was compelled, under the Act of 1844, forcibly to contract, in order to regain its position, and which forced proceeding caused a very severe pressure, for the time, upon the money market. Shortly after that period it transpired, that speculations for the import of grain had been carried far beyond the power of the houses engaged in them to support, added to

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which, the quantities imported in the months of May, June and July occasioned a fall in the price of wheat from 110 s. per quarter to 60 s., and even below that value. This fall in the price of grain occasioned failures to a considerable extent in the corn trade, which engendered a great discredit in that and other branches of commerce; subsequently to those events came the suspension of almost all the firms engaged in the trade with the Mauritius, and which were followed by a general discredit, principally affecting the houses connected with India, particularly those most largely engaged in the export of British manufactures; those extensive suspensions caused an abstraction of bank notes and coin from circulation to a very considerable amount, thereby creating a largely increased demand upon the Bank which, under the Act of 1844, it was found most difficult, and indeed almost impossible, to sustain, the amount of the reserve having been reduced on the 23d October to 2,000,000 l., including London and the branch banks. Thus situated, notwithstanding the Bank had advanced the rate of interest to 6, 7, and even 9 per cent. per annum, with the view of endeavouring to limit the demand, that demand continued to increase until relief was given on the 25th October by withdrawing the restrictive clause of the Act of 1844, when the pressure was immediately relieved, and credit has since been gradually restored. During the whole period from the middle of April to the day of withdrawing the limitation of 14,000,000 l. the foreign exchanges were in favour of the country.

1945. What is your opinion of the working of the Act of 1844?—I have not objected to the principal of that Act of forming the issue of notes upon 14,000,000 l. of securities, and the remainder upon gold and silver; but while entertaining an opinion in favour of that part of the Act, I have not been able to perceive the advantage of the separation of the accounts in the forms prescribed, and of their weekly publication. The latter, I believe, proved decidedly prejudicial during the year 1847, when the reserve in the banking department was greatly reduced. It further appears to me that other objections to the working of the Act were exhibited upon two different occasions during the past year; the first in April, when the reserve in the banking department was reduced from 5,600,000 l. to 3,000,000 l., which imposed upon the Bank the necessity of enforcing contraction, thereby endangering commercial credit, which might have been avoided, had the power of extending the issue at an advanced rate of interest beyond the 14,000,000 l. upon securities (if required) then existed; the hulk in the issue department, having been 9,300,000 l., and the foreign exchanges having shortly afterwards turned in favour of the country. The second period, which is the more material of the two, occurred in October last, during a time of great commercial distress, consequent upon the extensive failures which had occurred in August and the succeeding months; the general discredit then prevailing had been the cause of an abstraction of at least 5,000,000 l. or 6,000,000 l. of the circulating medium of coin and notes, to replace which, and to uphold the credit of solvent houses, a demand was made upon the Bank to an extent which reduced the reserve towards the end of October to about 2,000,000 l. including London and the branches, by which the demand continuing without the power of extension beyond 14,000,000 l. upon securities, the Bank itself was placed in danger, and the commercial credit of the whole country nearly paralyzed; both which would have been obviated had the power of extension beyond 14,000,000 l. then existed on the part of the Bank, and which, if required, could have been met upon without advancing the rate of interest in the then state of the foreign exchange; deprived of that power the Bank endeavoured to check the growing demand by advancing the rate of interest in September and October to 6½, 6, 7, and even 9 per cent. per annum, but which tended to an increase of the demand instead of a diminution, while it aggravated the distress in the manufacturing districts during a period when the foreign exchanges were in favour of the country, and when it was reasonable to expect a moderate rate of interest instead of the high rates then charged by the Bank, which governed the extravagant rates demanded in the money market; such have been the prominent objections to the working of the Act during the past year. It may further be submitted whether the management of the banking department by repeated fluctuations in the rate of interest, particularly in the years 1844, 1845 and 1846, thereby attempting to act upon the same principle which governs all private banking establishments, is not prejudicial to the public interest, and without benefit to the Bank. The last objection I have to offer to the Act is the limitation of the quantity of silver hulk permitted to be held in the issue department;

ment; seeing that silver is equally available with gold for foreign payment, a portion of that restriction might with perfect safety be withdrawn, and thereby greater facilities afforded in meeting an unfavourable foreign exchange. *J. H. Palmer, Esq.*
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1946. As I understand you, you would remove the restriction with regard to silver?—Yes, to a certain extent.

1947. To what extent?—I think the Bank might with perfect safety hold about a third of their bullion in silver.

1948. With reference to the weekly publications you have mentioned that as one of the objections to the Act, what course would you recommend with regard to those?—I should do away with the weekly publications altogether, and revert to the former mode of publishing quarterly; those quarterly publications conveyed the same information to the public as the weekly publications, only in a different form—quarterly instead of weekly.

1949. You stated that you objected entirely to the separation of the two departments, the banking and the issue departments, what course would you recommend in respect of those departments?—As far as the publication is concerned, I should leave it the same as it was before; I should make no distinction in the former mode of publishing the accounts.

1950. You would make the returns the same as they were in former times?—Yes, I should.

1951. What rule, if any, would you recommend for the conduct of the Bank?—I have stated that I do not object to the limitation of 14,000,000 £ upon securities, for the private government of the Bank, which would secure upon that principle of management a large reserve of gold fully adequate to any probable demand, and would ensure the convertibility of the bank note; that reserve would be not less than 9,000,000 £ in ordinary times; and I form my opinion upon this, that allowing 20,000,000 £ to be the fair average circulation of the country in times of ordinary prosperity, 14,000,000 £ upon securities, and 9½ millions upon bullion, would make 23½ millions, which would leave the Bank reserve about 4,000,000 £, below which it could not be permitted materially to fall; consequently, at that period, the advance of the rate of interest would commence, which, if the foreign exchange continues unfavourable, would act upon the value of money, and thereby tend to the correction of the foreign exchange.

1952. Do you mean that you would have the Bank conduct itself by the same rule that the Act lays down with respect to the issue of notes?—Except in the power of relaxation, when the rate of interest has to be materially advanced.

1953. Would you lay down any rule as to the amount of interest which should give them a power of relaxation?—That must depend upon the state of the foreign demand, and the continuance of it.

1954. Then, you would leave it to the discretion of the Bank to relax when they should see fit to do so?—Yes, unless you thought fit to place any control over the Bank in the hands of any member of Her Majesty's Government.

1955. You would leave an unlimited discretion either in the Bank alone, or in the Bank checked by a Government officer?—I would.

1956. Laying down the rule laid down in the Act as the general rule for the conduct of the Bank?—Yes.

1957. You consider that rule then as a sound rule for its general conduct?—Yes.

1958. What do you think are the periods when the relaxation would be necessary?—I allude to such periods as April of last year, and the commercial distress towards the autumn of last year.

1959. With reference to the periods that you were particularly conversant with in 1837 and 1839, do you think that in those periods it would have been necessary to have relaxed the rule?—Certainly; I beg to explain that 1837 and 1839 were two different years; the distress arose from two totally different causes.

1960. I will take 1837 first; do you consider that in 1837 a relaxation of the rule would have been necessary, supposing the discretion had been in the Bank?—Certainly.

1961. Do you consider that in 1839 a relaxation would have been necessary?—Certainly.

1962. Do you think that in 1830 and 1832, supposing the rule had been in operation, a relaxation would have been necessary?—Certainly.

J. H. Palmer, Esq. 1963. Then, I come to the conclusion, that under all circumstances of pressure, you would think the rule would be necessarily relaxed?—I think so almost invariably, and especially when the redemption of bullion comes below the point that I have alluded to.

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1964. In the cases of those commercial difficulties, is it your opinion generally that they are met better by a relaxation of the circulation than by a contraction of the circulation?—I think the foreign demand is more legitimately corrected, and can only be safely corrected, by raising the rate of interest, and in times of internal demand that correction may safely be effected without any alteration in the current rate of interest then existing.

1965. But the moment an external run became converted into an internal demand, you would then meet the difficulty by a relaxation of the rule circulation?—Yes, without further altering the rate of interest, supposing the foreign exchange to be in favour of the country, which it must be in times of commercial distress.

1966. Have you any further suggestion to make for the improvement of the monetary affairs of this country?—No.

1967. *Sir Robert Peel.*] Would you recommend an alteration of the law as far as it imposes a restriction upon the issues of country banks?—I think it is quite immaterial.

1968. You would permit country banks to issue notes without restriction?—I think it is immaterial, provided there be sufficient security for the issue itself.

1969. What is the nature of the security that you would propose?—I am not prepared at this moment to say what that security should be.

1970. You have, I believe, entertained the opinion that the circulation of the country should, as far as possible, be in the hands of the Bank of England?—I think it is more beneficial for the security of the circulation; you are less liable to a discredit of the circulation when it is in the hands of the Bank of England than when it is in the hands of private issuers.

1971. There is great advantage in increasing the control of the Bank of England over the circulation?—I doubt whether we have a power of control over the circulation; whatever circulation the public require they will have; though I think it desirable, if possible, that the whole circulation should be in the hands of one body, I do not think by any means you can control the quantity.

1972. *Mr. Beckett.*] Has it always been the practice of the Bank of England to place a limit on the date of the bills of exchange which they discounted, whether money was plentiful or scarce?—The dates have varied; upon some occasions they have made advances upon bills not having more than six months to run, and they have, upon certain occasions, but those are not fresh upon my memory, redeemed the evidence from 85 to 60 days upon bills tendered for discount.

1973. Have they ever discounted or advanced money on loan upon bills having more than six months to run?—They have never discounted any bills having six months or more to run.

1974. Do you think that the pressure in these periods of distress is hastened or aggravated by the immense quantity of bills of exchange of a long date, which are the representatives of commercial transactions existing at the time?—If there be an undue increase of transactions in the country represented by bills of exchange, they will tend to the prejudice of the circulation.

1975. It has not come within your knowledge that any inconvenience has arisen from that cause?—No, not to any extent; if the transactions of the country greatly increase upon credit, of course bills of exchange will increase; and then, if credit is carried to an undue extent, danger will arise.

1976. Would any benefit arise from a limitation being placed upon bills of exchange?—Certainly not.

1977. *Chairman.*] From your experience of the constitution of the Bank, do you think that it is capable of improvement?—I do not see in what form an improvement could be effected.

1978. You think that its present constitution is as good as it is possible to be?—That is my opinion.

1979. You think it commands the confidence of the commercial body?—Yes, I think so.

1980. What power have the Governor and the Deputy-governor practically?—They have no power beyond that of acting from week to week between the court-days; on certain occasions there is a discretion exercised by them, which being

being reported at the ensuing court-day, is either confirmed or disapproved, as the case may be. *J. H. Peiser, Esq.*

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1981. What is the Treasury Committee at the Bank?—It consists of all gentlemen who have passed through the office of Governor, with, generally speaking, one other individual, who is considered the next to be recommended to succeed the Deputy-governor.

1982. The body of directors meet once a week?—Yes.

1983. What is the distinction between the Treasury Committee and the general body of directors?—There is no other distinction but this; the former is the senior committee of the house.

1984. Is there any distinction in point of management?—They have no power of managing but through the Court; they may recommend measures to the Court, but they have no power of action; they have upon one or two occasions, within my recollection, taken a responsibility upon themselves in adopting measures which have been afterwards sanctioned by the Court; upon a great emergency, in the year 1832, before I left the chair, and before the adverse foreign exchange terminated, I think the committee authorized a negotiation upon Paris, and the transmission of about 1,000,000*l.* of silver, which I do not think, as far as my memory serves me, came before the Court until after the negotiation had been concluded; I think again in 1836 or 1837, through the medium of the committee, private credit was used upon Paris through some merchant's house in London, either Rothschild's or some other house.

1985. Are the committee of the treasury in constant sitting?—They sit only once a week, unless specially called together by the Governor.

1986. Are they in the habit of being called together?—Not often.

1987. During the difficulties of the last year, were they in constant sitting?—No; they may have been called together three or four times upon some special application for assistance; when the Governor and Deputy-governor took upon themselves the responsibility of granting that assistance, they afterwards obtained the concurrence of the committee of the treasury and the Court of Directors.

1988. Then, from one week to the other, the whole discretion rests upon the Governor and the Deputy-governor?—It does, unless matters arising are of sufficient importance to lead the Governor to call a committee of the treasury together.

1989. Which it appears he rarely does?—He has done so during the last period of difficulty.

1990. But it is not a usual transaction?—It is not the general course.

1991. Consequently, generally speaking, it rests upon the discretion of the Governor and the Deputy-governor?—The Governor and Deputy-governor seldom, if ever, take upon themselves the power of acting without the concurrence of the committee of the treasury, though there have been occasions where they have so acted in advancing the rate of interest; during the last period of distress, they have advanced the rate upon one or two occasions without the immediate concurrence of the committee of the treasury or of the Court at the moment, but it was only for a few days.

1992. Are the Committee to understand that the Governor and Deputy-governor, without communication with either the committee of the treasury or the Court of Directors, have the power of advancing the rate of interest?—They have from court-day to court-day, under special circumstances.

1993. Subject to the approbation afterwards of the Court?—Certainly.

1994. Practically, are the Governor and Deputy-governor in the habit of frequently communicating with the members of the committee of the treasury?—Yes.

1995. Mr. Glyn.] Then everything is finally determined by the Court itself?—Yes; except between the court-days.

1996. The action of the Governor and Deputy-governor is brought before the Court on the next court-day?—Yes.

1997. And the Court either confirm or negative what has been done?—They do.

1998. Then the whole control, in fact, is with the Court of Directors?—Yes.

1999. Mr. Alderman Thompson.] And the Governor and Deputy-governor have an opportunity of almost daily communications with the members of the committee of the treasury and the members of the Court?—Certainly.

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2000. Is it not the practice of almost every director, if he is in London, to be in the Bank of England during some portion of the day?—Generally speaking, it is so.

2001. You have described the functions of the committee of the treasury, is not the Bank managed in its several departments, with reference to details, by committees formed of members of the Court of Directors, and are not the proceedings of the committees reported to the Court of Directors, who hold their meetings weekly, for approval?—I think the proceedings of the committees of detail are not reported every week.

2002. In the Bank of England, as in other great establishments, the business is divided into departments, there is a chairman for each department, and a certain number of Directors who are appointed to co-operate with him in the supervision of the particular department as often as occasion arises, when the chairman directs the committee to be summoned, and the business done by that committee is reported at the next meeting?—If there is any important business upon which the proceedings of the committee require to be confirmed, it is reported; but if very trifling, it is not reported.

2003. Every act of the Governor, or the committee of the directors, is reported to the general Court, at the next meeting?—Certainly, if deemed important.

2004. And you consider therefore, that the act of the Governor and the Deputy-governor is the act of the Court of Directors?—Certainly.

2005. Do you think that in a time of pressure and panic, it is a protection to the Bank of England to be able to raise to a great extent, say to 8 or 9 per cent., the rate of interest?—I think that it is extremely prejudicial to commerce, and that it is totally uncalled for when the exchanges are in favour of this country, which they must be at those times of commercial pressure.

2006. From that answer are the Committee to collect that you thought it unnecessary to raise the rate of interest in October last to 8 per cent.?—Certainly.

2007. Mr. Baring.] In what way do you think it prejudicial to raise the rate of interest?—It presses upon all branches of commerce in a way that is most prejudicial to them; the raising the rate of interest I am given to understand stopped very largely the mercantile transactions of the country—exports as well as imports.

2008. Is it likely to increase distrust?—Certainly; the more the Bank raised the rate of interest the greater was the pressure upon them during that period of distress and panic.

2008.* Do you suppose that it injures British credit abroad?—I do not know what effect it may have upon British credit abroad, except that inasmuch as it affects all credit at home, more or less it must affect credit in foreign countries.

2009. Would it not be an advantage if, upon a sudden demand for payment of a debt abroad, such as the failure of our crop, some other temporary mode of settling the account could be found without the export of gold?—There is no other mode but by acting through the exchange.

2010. Would you say that that was an advantage or a disadvantage?—If you have the bullion in England to meet the payment, I do not see any disadvantage; if the question applies to the Bank of England, they have no motive to act upon the exchange when they have bullion enough in their possession to meet the payment.

2011. But speaking not merely as regards the interest of the Bank of England, but as regards the interest of the community at large, do you or not suppose that it would be an advantage to spread over a longer period of time the repayment of a foreign debt, rather than to pay it so suddenly so to render necessary the export of a large quantity of gold, which contracts the circulation and affects commerce?—If the foreign demand exists, it must be met either by bills of exchange, or by the export of bullion; in my opinion there is no material difference.

2012. Do not you suppose that it would make a difference if the amount of money that we had to pay to the continent or the United States, for the import of corn could be paid in 24 months instead of in six months?—If the Bank be sufficiently provided with bullion, I see no advantage in requiring the extended period alluded to.

2013. Supposing

2013. Supposing upon British securities, or any other securities, the Bank of England could have obtained credit for a period of 12 or 24 months; and the community of this country had not therefore been obliged to export gold, but had relied upon paying their debt by subsequent exports; do you think that it would have been an advantage to the community or not?—It is a question quite speculative; I cannot reply to it without having all the circumstances before me.

2014. In 1839 was it an advantage to the community or not when the Bank of England obtained upon English securities a temporary loan?—The case of the year 1839 was one of positive necessity; the bullion in the Bank was reduced to very low, by the discredit that existed of the Bank itself upon the continent of Europe, as to endanger specie payments, that there would have been no alternative but suspending altogether making payments in specie if they had not resorted to foreign credit.

2015. The Bank might have sold these securities which it pledged abroad in the market in London?—It would have been a difficult matter to have sold these securities at that time.

2016. The selling of those securities would have contracted the circulation very much?—It would not have prevented the export of gold; the foreign payment arose from the bill-cases of the continent being emptied and the bills transmitted to this country, to be discounted at any rate of interest that existed, and gold returned, unless bills at a better rate of exchange could be obtained.

2017. Did not that operation act as an ease to the commercial community in this country?—Certainly.

2018. Therefore, if there was no objection to it, it would be desirable to be able to settle more gradually a foreign debt of this country?—I have always considered that if the Bank of England could have a proper understanding with the principal banks in the United States, in Hamburg, and Amsterdam and Paris, and could carry out their payments through negotiations upon those respective bodies, the exchange would be more easily adjusted than by the transmission of bullion backwards and forwards.

2019. There was a recent occurrence which showed that, with regard to the Bank of France, this year; I allude to their borrowing 1,000,000 *l.* sterling here?—Yes.

2020. That gave ease to the commercial community of Paris?—Certainly; inasmuch as if they had not so neted the bullion would have been reduced so low that the Bank of France would have had a difficulty in maintaining specie payments.

2021. That debt was settled without, comparatively speaking, any loss?—Yes; the transaction was nearly the same as took place in 1839 in this country.

2022. Do you remember the time when the United States bank being a Government bank acted upon the credit of this country occasionally?—I was not conversant with it, and therefore I cannot answer the question.

2023. Are you in favour of the Bank of England holding foreign stocks?—Except that there is greater risk of fluctuation in foreign stocks, a benefit would be derived from the Bank holding foreign stocks and making foreign payments by selling them, instead of sending over bullion.

2024. But the times when the Bank would want to make those stocks available might be times when there was a fall in the value of those foreign stocks?—That is my great objection to the Bank holding foreign stocks; the want of security in them.

2025. Therefore, English securities would be, in your opinion, better than foreign stocks, except upon the principle that foreign stock could be made available abroad to meet foreign payments; but do not you think that it would be better for the Bank to hold British than foreign stocks?—If you could negotiate British securities abroad, it might be desirable to do so.

2026. Mr. Wilson.] You said that it had a very prejudicial effect for the Bank to raise the rate of interest, do you think it would be more prejudicial to the commercial public to have a high rate of interest, or to be refused discounts?—Solvent houses had rather pay any rate of interest than be refused discounts.

2027. If it becomes a choice of evils whether the accommodation is to be withheld, or a high rate of interest is to be paid, you would prefer a high rate of interest?—Certainly.

J. H. Paine, Esq.

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2028. Can you suggest any means by which the Bank of England or any private bank could either avoid charging a high rate of interest or withholding accommodation altogether from the public at large?—I have always considered that contraction is not required during a period of favourable exchange, and during a period of distress or panic.

2029. With regard to the Bank of England, or any one particular bank, which must act with reference to their own resources at the particular moment, what means can they have of continuing their payments or obligations if they have a large drain upon them, whether it be from panic or any other cause, except by withholding accommodation or raising the rate of interest?—That is precisely the advantage which I conceive should exist, from the Bank of England being able to maintain the credit of the public by an extension of the issue of notes with perfect safety to the convertibility of the note in times of commercial distress.

2030. Will you state how far you can, in your opinion, secure the convertibility of the note?—I may instance 1825; you may in such times issue notes to an enormous extent, to uphold the general transactions of the country; I do not know any instance in which the Bank of England note was ever discredited in England; the only discredit it ever sustained was a foreign discredit in 1839, but I never knew it discredited internally.

2031. If the Bank of England in the last October had issued notes to a large amount, it would appear from the returns that the Bank could not have kept those notes out?—I do not believe the Bank would have been required to issue 100l. more notes, if the rate of interest had been 5 per cent. instead of 9 per cent.

2032. Is there no other reason than the balance of trade which causes the exchanges to be against us?—You might have a balance of payment against you from various other causes.

2033. Does not the rate of interest itself very materially affect the foreign exchange?—Yes.

2034. May not a favourable rate of exchange be maintained by the rate of interest being higher in this country than on the continent?—It is the only mode, in my judgment, of correcting the foreign exchanges.

2035. When you say that foreign exchanges were not in our favour during the autumn of last year, are you of opinion that the balance of payments was in our favour?—I can only judge by the actual exportation of gold; if the Committee have returns of the export of gold from April to October, they will find that there was an invariable balance of payment in gold made to this country from April to October.

2036. But during that period the rate of interest was higher here than on the continent?—It was higher from discredit.

2037. During that period considerable discredit existed?—From August to October there was considerable discredit.

2038. What effect upon foreign credit had the discredit that existed in this country; did it not lead to a contraction of our credits abroad, in Russia and other countries from which we imported commodities?—I presume that the high rate of interest affected all commercial transactions both at home and abroad.

2039. If we had not had that high rate of interest do you believe that the exchange would have been as favourable to us as it was?—There was no foreign payment to make, consequently there would have been no prejudice to the exchange by a lower rate of interest.

2040. There was a large importation of corn in the autumn?—I presume that that was satisfied.

2041. The importation of corn continued to be 3,000,000 of quarters up to the month of October?—But the payment for that must have been satisfied by other means than the high rate of interest in this country.

2042. Are you at all intimate with the Russian trade?—No.

2043. The high rate of interest had of course also a prejudicial effect in preventing the export from this country, by checking credit?—Certainly.

2044. When gold is exported from this country is it in direct payment of commodities imported, or is it usually exported as a speculation with a view to profit by the export?—The export of gold can only take place when the demand is greater for payments than there are bills to be obtained.

2045. But is the gold exported in the way of debt, or in the way of speculation by

by parties wishing to make a profit upon the transaction?—That depends upon the exchange dealers, with whose dealings I am not conversant. *J. E. Palmer, Esq.*

2046. With reference to the export of gold to the United States, was that by parties purchasing bills and then exporting gold, or was it by parties upon a speculation of profit being realized by the transaction?—My information is not to be depended upon on that point; but I believe the way it was done was this: bills of exchange were purchased on the other side and sent to this country, and gold was returned for them; but that question can be answered better by parties who are conversant with it. *29 February 1848.*

2047. With regard to the negotiation which you suggest of the Bank of England holding foreign securities, and the facility that that would afford for making foreign payments by arrangements with banks on the continent, are you not of opinion that that is partly done now by the exchange merchants, who are constantly upon the alert to see how they can purchase securities under favourable circumstances, and do you think that the Bank of England could do that better than exchange merchants, who devote their whole attention to it?—I never meant to suggest the propriety of the Bank of England holding foreign securities; that is not a measure that I should advocate, unless the credit of all banks were equal.

2048. Mr. Copley.] Do you consider the fluctuations arising from the efflux of bullion to be very disadvantageous to the community generally?—They are only disadvantageous, inasmuch as they tend to contract credit.

2049. The diminution of the quantity of circulating medium, consequent upon the export of bullion, tends to alter to that extent the value of the medium of exchange?—Yes.

2050. To that extent was the Bank of England note discredited abroad?—I think the credit used by the Bank of England, was very nearly two millions and a half in 1839.

2051. If it were very much discredited, could they have got the assistance that they did in 1839, when the Bank of France assisted them by making a loan?—The operation was this: a mercantile house was authorized to draw upon the exchange in London upon Paris and Hamburgh; there was no loan made by the Bank of France to the Bank of England, but it was through the operation of the exchange carried on by the house to which I allude and their correspondents in Paris.

2052. Have you any reason to doubt at present the credit of the Bank of England note on any part of the continent?—No; the question was whether the Bank had sufficient gold in their possession to meet the bills that were then passing on the continent.

2053. You have been asked by Mr. Baring, whether there would be any means by operating upon credit of preventing an export of gold in the event of a sudden balance against such as a bad harvest; supposing the law permitted the Bank of England to issue notes bearing interest, say at from 5 to 6 per cent. for from 12 to 18 months, in order to avert the evil arising out of a sudden demand for gold, have you any reason to believe that those notes would be accepted abroad?—I am unable to answer the question; it is not a measure which I should deem to be desirable; I think forcing the Bank circulation for foreign payment on the continent of Europe, would not tend to the credit of the Bank.

2054. The export of bullion for the payment of corn is also an evil, is it not?—It is an evil when it is carried beyond a certain point.

2055. I understand you to say that the evils from which we suffered last year were mainly attributable to that?—I do not believe that any evil would have been suffered last year, for the exchanges turned at the end of April, if it had not been for the provisions of the Act of 1844; I believe but for that, no evil whatever would have been sustained by commerce.

2056. Then you attribute all the evils to the Act of 1844?—I attribute them to the provisions of that Act which prevented our gaining time to meet the demand.

2057. Mr. Glyn.] In the period between April and October there was a considerable export of bullion to Hamburgh?—There was 300,000 *l.* exported.

2058. The exchange was then in our favour?—Yes; but it was the advance in the rate of interest that caused that export, and which advanced rate of interest lasted only three or four weeks.

2059. In point of fact, that export of gold was consequent upon the high rate of interest which prevailed in Hamburgh?—It was.

J. H. Fisher, Esq. 2060. Mr. Thorneley.] Do you remember up to what point the rate of interest at Hamburg advanced at that time?—The rate of interest at that time was 6 or 29 February 1848. 7 per cent.

2061. How long did that high rate of interest last?—Only two or three weeks.

2062. Do you remember what the ordinary rate of interest in Hamburg in the year 1847 was?—I think it was from $3\frac{1}{2}$ to $4\frac{1}{2}$ or 5 per cent.

2063. Had they any panic in Hamburg in the course of the last year, as compared with the panic in this country?—No, not that I heard of.

2064. *Chairman.*] With regard to the drain of gold from the Bank, are you of opinion that a considerable portion of the drain of gold from the Bank was for internal purposes?—Between April and October there could scarcely be a less drain than 3,000,000 *l.* arising from internal alarm alone; in saying that, I form my opinion upon this calculation: the exchanges were in favour of this country from April to October; the bullion in the possession of the issue department of the Bank on the 17th of April was 9,300,000 *l.*; the purchases made of gold imported between April and October amounted to about 2,100,000 *l.*, which ought to have left in the hands of the Bank in October 11,400,000 *l.*, but the Bank had on the 20th of October 8,400,000 *l.*, which shows that 3,000,000 *l.* must have gone into the interior of the country.

2065. Have you any means of ascertaining where that gold went to?—I think that some considerable part went to Ireland, but generally speaking, it went to the interior of the country through different branch banks.

2066. Within your experience the Bank has made considerable changes with reference to the securities which it holds; in early times the Bank held no stock?—I think it did not.

2067. Can you state what the changes are, and the grounds for those changes?—I think the holding of stock by the Bank commenced either in 1833 or 1834; prior to that period the principal Government securities that the Bank held were dead weight and Exchequer bills.

2068. In early times the Bank never dealt with Exchequer bills at all?—The Bank never dealt as a dealer in Exchequer bills or stock. The banking department held Exchequer bills as their convertible government securities, and latterly they have preferred to hold stock, and I think the purchase of stock has commenced since the year 1833 or 1834.

2069. What are the grounds of the alteration?—It was upon the belief that the 3 per cents. were more easily convertible to meet any temporary demand upon the Bank than Exchequer bills.

2070. I conclude, that if it was stock more easily convertible by others, it was more convenient for the Bank to hold?—Personally I do not agree in that view, I do not think that the Bank are ever called upon in reference to the securities that they hold to dispose of them, except in times of unfavourable exchanges and of pressure upon them from the discount market; if they hold stock, there is much greater hazard of loss to the corporation than there would be if they held Exchequer bills, and therefore I have always found, as far as my observation extended, that it was better to hold a certain amount of Exchequer bills in preference to holding stock; but that is not the opinion of the Court generally; they consider it preferable to hold stock rather than Exchequer bills.

2071. Do you remember in 1838 or 1839 a communication being made that if the Bank had held stock instead of Exchequer bills, the Bank would have been able to convert it at comparatively less inconvenience to the money market?—The great experience I had with regard to the Bank holding Exchequer bills was in 1830 and 1832, and as far as I could judge of the working of the Bank during that period (and all my experience has been founded upon it), when the Bank held 3,000,000 *l.* of Exchequer bills and 3,000,000 *l.* of silver, and when the exchange became unfavourable in August 1830, upon a very similar occasion to that of last year, I found it was much easier to sell Exchequer bills gradually at from 35s. to 5s. or 6s. per cent. premium, than I should have found it to have sold stock; it was by effecting the sale of Exchequer bills and silver that the Bank were enabled during that period to maintain a continued drain without any interference or danger to the public, or occasioning any undue scarcity of money.

2072. Do

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2072. Do not you think that since that time the Exchequer bill market has been very much changed?—I think it has been changed since the introduction of railway debentures; Exchequer bills have been rendered more unsaleable since that description of security has multiplied; but I do not remember the period you allude to particularly in 1838 and 1839.

2073. Do not you remember in 1837 and 1839, times at which Exchequer bills were almost inconvertible in the market?—I do not remember it. There was an attempt made by the Bank to sell the dead weight, but the price that was offered they did not think fit to accept, and I do not think any sale at that moment, under the peculiar state of foreign discredit of the Bank, would have answered the purpose.

2074. In the present state of the Exchequer bill market, do you think that it would be advisable for the Bank to hold Exchequer bills?—I am not prepared to say; it has never had any great difficulty in selling them in the market, but they certainly have become more difficult to sell in consequence of the large amount of railway debentures interfering with them.

2075. It has been suggested to the Committee that the Bank would be placed in more easy circumstances, if part of the debt of 11,000,000 *l.* were repaid; what is your opinion upon that?—I do not think the least advantage would attend it; the Bank must hold a certain amount of securities; if the Government paid off that portion of the public debt, the Bank must invest the money in other securities, they could not make the investment in the discount market, and therefore they must resort to Government securities for a re-investment of that which the Government had paid them.

2076. With regard to the Act of 1844, do you consider that it has secured the convertibility of the note more fully than existed before?—I think that the Bank being provided with a certain quantity of gold and silver at the commencement of an adverse foreign exchange, the Act prevents the reduction of bullion below a certain point, as I have endeavoured to explain in a former answer; the Bank will possess about 8,000,000 *l.* of bullion to secure the convertibility of the note, special occasions excepted.

2077. You think that, during the late pressure, the note was never in danger?—Never.

2078. Supposing that the operation of the Act had been enforced, and that the reserve of the Bank had been drawn out, do you think that any danger to the note would have arisen?—None, so long as the credit of the bank note is preserved, and I have never in my experience seen any period when it was discredited internally; I cannot conceive any danger that the Bank would have been subject to.

2079. Do you think that there would have been any run upon the Bank if the banking department had stopped?—It is very improbable that the banking department should have stopped; there are some deposits with the Bank which cannot be reduced; the deposits that I refer to are the deposits of the Exchequer, private deposits, and bank post bills; so long as the credit of the Bank is preserved, none of these deposits are likely to be materially affected, and they constitute the largest portion of the Bank deposits.

2080. With reference to the letter that the Government issued to the Bank, are you of opinion that it was issued early enough?—No.

2081. At what time, in your opinion, ought that letter to have been issued?—The great objection I have to the Act is to the restrictive clause existing at any time.

2082. You would entirely throw that clause aside?—Yes, subject to the control of Parliament.

2083. But, under the Act, do you think that they could have relaxed the rule more safely than as it was relaxed?—There would have been no occasion to relax the Act if the restriction had not existed; in fact the Bank never exceeded the reserve; it was the apprehension on the part of the public of a limitation of the power of the Bank that created the alarm itself.

2084. Mr. Cayley.] Would not that apprehension on the part of the public have endangered the convertibility of the note?—Certainly not; for 20 years, from 1828 to the present time, there never has been at any one time an instance in which the bank note has been endangered by any want of credit, notwithstanding that large foreign demand, which I have alluded to, in 1839.

2085. Was there not a political panic in 1832, which rather endangered the convertibility

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convertibility of the note?—That political panic lasted only two days; Cobbett's paper caused a run for gold; I was in the Chair of the Bank at the time, and I remember stating, that there was no other mode of meeting a difficulty of that kind but by offering, boldly, to lend money to the public if they doubted the Bank's power to pay; that measure was taken, and the run stopped in the course of two days.

2086. *Mr. T. Baring.*] If the Bank were obliged to have recourse to Government securities there would be no advantage in paying off the Government debt?—None, whatever.

2087. Would not the Bank be obliged to invest the money in Government securities of some kind?—Yes.

2088. Do the Bank of England lend on foreign coins?—No, practically they do not.

2089. Would there be any objection to their doing so?—No.

2090. Those weekly returns are published the week after that to which they apply?—Yes.

2091. Do they give to the public an exact knowledge of the state of the Bank at the time they are published?—No.

2092. The weekly returns may, therefore, lead to error?—It may.

2093. And in the way in which the return is made, showing the amount of deposits and the amount of reserve, is it not possible that there may be great error as to the extent of the demand which may be made upon the Bank?—Certainly; unless you know the particulars of the securities and obligations of the Bank, you cannot form an accurate opinion upon the subject.

2094. You cannot know, from the weekly returns, to what extent the deposits may be called up, or may not be called up?—It is not known what is the character of the deposits, and therefore, the public cannot be aware whether they are liable to be acted upon, more or less.

2095. The public, therefore, cannot know what is the extent of the security of the Bank?—No, certainly not.

2096. There may be an amount falling due next week; therefore, in point of fact, the small reserve which is published may be quite sufficient to meet the demand made upon the Bank?—That may be so.

2097. The public cannot judge of the real condition of the Bank from that weekly return?—No; but I think the public take their alarm from the figures themselves.

2098. And the notes that are out give no criterion, really, of the commercial facilities that are afforded by the Bank to the public?—No.

2099. There have been cases where, with 18,000,000 *l.* of notes, money has been much more easy than with 21,000,000 *l.* of notes?—Yes, the quantity of notes is no criterion at all of the accommodation the public obtain from the use of those notes.

2100. It depends upon the degree of confidence, and various other circumstances?—Yes; in October last I think the amount in circulation was 21,000,000 *l.*, and now it is about 18,000,000 *l.*

2101. But in October the rate of interest was 8 per cent., but now it is between 3 and 4 per cent.?—Yes.

2102. In the practical operations of the Bank, do you think it undesirable to vary frequently the rate of interest?—I think the rate of interest should never go below a certain point, 4 per cent.

2103. What should you say (subject of course to changes arising from extreme emergencies) should be the maximum rate of interest with the Bank?—That would depend upon the foreign exchange, with a view to preserve the convertibility of the bank note; I know no mode of properly correcting the foreign exchange but by raising the rate of interest.

2104. But recently, when the importations of corn would give 50 or 100 per cent. profit, would 7 or 8 per cent. discount at the Bank of England have prevented gold going out?—The rate of interest, in the case alluded to, would not have checked the export of gold unless general credit was affected by it.

2105. Supposing a great and sudden demand for corn, and the profit of the parties importing it to be very large, would you be able to check those imports by any rate of interest?—I think you could.

2106. By

2106. By what rate of interest?—I cannot tell, except by looking at the circumstances of the times; if you so raised the rate of interest during a period of foreign demand as to render it a matter extremely difficult to convert the bank note, that would stop the import of corn.

2107. Supposing you were to charge 10 per cent. upon the discount of the bill, would not that be comparatively a small tax in proportion to the profit that the importer would make?—Yes; but if you are called upon to protect the payment of the bank notes, and insure the payment of the notes in coin, you must take measures that will accomplish that end, either by raising the rate of interest to 10 per cent., or by reducing the credence of bills; if you doubt whether you have the means of converting the bank note, you must take the most stringent measures possible.

2108. Then it is not merely by the high rate of discount that the discount is exposed to, but by the discredit that that high rate occasions, that you check the import of the article?—The high rate of interest that you allude to would itself tend to act most powerfully upon the foreign exchanges; but if that high rate of interest did not have that effect, the next course is to reduce the credence upon bills.

2109. But the effect is produced, not because the party will not pay that which would be less than 1 per cent. for his bill when he could get 50 per cent. profit upon his corn, but because the measures adopted by the Bank occasion a discredit in commercial proceedings?—The high rate of interest, and the reducing the credence on bills, would bring the capital back to this country; by withdrawing credit, and stopping a large importation of commodities, and in various modes, you would turn the exchange in favour of the country.

2110. By producing a great pressure upon the commercial community?—Yes.

2111. Mr. Wilson.] And also by altering the value of foreign securities?—Yes.

2112. Mr. Baring.] It is by producing a fall in the value of all commodities in this country that you would correct the exchange?—Yes; not merely in that way, but you would bring capital to this country; by the high rate of interest you stop credit; many persons trading with America, or with India and China, have found money so extremely scarce in this country that they have been forced to stop their operations.

2113. It is by interference with trade that it acts, and not merely by the inconvenience that it occasions to holders of bills?—It causes the stoppage of trade.

2114. Mr. Spooner.] What would be the effect upon the manufacturers and the labourers in the country during such an operation?—It destroys the labour of the country; at the present moment, in the neighbourhood of London, and in the manufacturing districts, you can hardly move in any direction without hearing universal complaints of the want of employment of the labourers of the country.

2115. That you ascribe to the measure which it was necessary for the Bank to adopt, in order to preserve the convertibility of the note?—I think that the present depressed state of labour is entirely owing to that circumstance.

2116. Mr. Copley.] The capital we get back upon the rectification of the exchanges affords no compensation for the capital which the country loses during the operation?—None; you have the strongest instance of that in the months of April and October of last year; in the month of April, in consequence of the stringent measures of the Bank, a million and a half of bullion was forced into the country from credit or capital, within a month or six weeks; in October, from the violence of the contraction in November and December; and what is now evidenced in India is the effect of that discredit, and of capital being forced into the country; the East India Company are now bringing 1,000,000 l. of silver from India, which, I believe, is intimately connected with the depressed state of trade between India and England.

2117. And the pressure produces forced sales?—It stops credit, and the British merchant sells his goods for the purpose of carrying on his payments, and brings back his capital at an earlier period than it would come in the ordinary course of trade.

2118. Mr. Spooner.] You have stated that the Bank hold some deposits which cannot be drawn out; will you state what the nature of those deposits is?—Those deposits are of three characters, the public balances; I mean by that the working

J. H. Palmer, Esq. balances; the bank post bills, and the private accounts; those seldom vary to any extent.

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2119. Supposing that the letter to the Bank had not been issued at the time it was issued, do you conceive that the great pressure which then existed would have been greatly increased; if that letter had not been issued, would not the pressure have occasioned a great withdrawal of private deposits in the hands of the Bank?—I think not, and I speak from the experience of former periods; in times of great discredit there has been a tendency to increase the private deposits in the Bank rather than to diminish them; that is from the discredit of other parties.

2120. Does it not create a certain demand for money?—Not upon the Bank of England, otherwise than by demand for discounts.

2121. I believe last year the bankers were keeping large deposits in your hands ready for their own use if they wanted them?—Yes, that comes under a different class; there are certain deposits which are liable to great fluctuations, and those are the Exchequer accounts, temporary deposits, such as railway money, and others of that description, and bankers' balances; bankers' balances are balances that must naturally be drawn out in times of great pressure.

2122. Was any intimation given to the Bank on the part of bankers having deposits in their hands in the month of October, that if the pressure continued, those deposits would be required?—Not that I am aware of, but the balances would probably have been required to a certain extent.

2123. At that time the reserve in the hands of the Bank was reduced to somewhere about 1,200,000*l.*?—Before the Government letter came down we had notes and coin together, amounting to 2,000,000*l.* in London and the country.

2124. I think the private deposits of that time amounted to 5,000,000*l.* or 6,000,000*l.*?—On the 23d of October the private deposits were nine millions and a half.

2125. At that time what was the reserve of notes and bullion in the hands of the Bank?—Two millions.

2126. Can you state what was the amount of bankers' balances at that time?—One million six hundred thousand pounds.

2127. In that state of the reserve and deposits, do you still hold the opinion that there was no danger of the deposits being so drawn out of the Bank as to absorb all the notes and all the bullion which they had in their hands?—The reserve in London would not exceed 1,000,000*l.*; therefore I conceive that it was quite practicable for the bankers alone to have drawn out that reserve.

2128. Supposing notes came in to you for payment, after that you must have gone with those notes to the Bank of Issue?—We should have gone to the stock market, and endeavoured to have sold stock at all hazards.

2129. Do you think that under those circumstances any parties would have been found to purchase the stock?—My own opinion is that we should never have succeeded in selling it; but I believe the Governor of the Bank is of a different opinion; he is of opinion that we might have effected a sale. The question has been put to me in another place, whether I thought it practicable that 2,000,000*l.* could have been sold at that time, and to that question I gave an answer, that I thought it could not, but that is a matter of opinion.

2130. If you had failed in your attempt to sell, what would have been the result?—If we could have effected a sale at all, the effect would have been a fall of stock to 60 or 65.

2131. But with regard to the other alternative, if you could not have effected a sale, what would have been the result?—The result would have been that we should have had no notes in the banking department.

2132. *Mr. Glyn.* Do not you think that, considering the relative position of the private banks of London and the Bank of England, the private banks had a right to expect that if the pressure from the country had continued, and they had been borne upon by their country connexions, the Bank of England would have been in a situation to have given them the accommodation of discounts which they received in 1825?—Certainly.

2133. But the Bank was not in that situation in 1847?—It was not.

2134. *Mr. Hume.* Was it the operation of the Act of 1844 which prevented the Bank being in that situation?—Certainly.

2135. Can you state what are the grounds of the opinion you have given that 2,000,000*l.* of stock could not have been sold last October?—It is merely a matter of opinion.

2136. But

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2136. But what are the reasons in your own mind which induce you to come to that opinion?—The difficulty that there would have been in finding bank notes in sufficient quantity to pay for it.

2137. Was the pressure that then existed so great in London that you doubt the possibility of disposing of 2,000,000*l.* at that time?—Yes, I doubt the possibility of disposing of stock to that extent; you might have sold 100,000*l.* or 200,000*l.*; but when you endeavoured to sell 2,000,000*l.* of stock in a week in the then state of the market, I think it would have been found impossible.

2138. Mr. Glyn.] Are you not aware that there was great difficulty in selling 200,000*l.* Consols on that day?—Very great difficulty.

2139. Mr. Spooner.] What is your opinion of the propriety of making silver a joint standard with gold?—That is a very large question; I do not see the benefit of it; I think the end would be answered if the Bank were allowed to keep a certain quantity of silver for foreign payments, and if that is made available at ordinary periods, I think it saves the gold, and so far will approximate to a double standard.

2140. Are you aware that during the pressure in April a large quantity of silver was remitted, and that the person to whom it was remitted had very heavy engagements to meet, but that he found it totally impossible to make that silver available to meet his obligations?—I understood that to be the case.

2141. If silver had been a legal tender, and the Mint had been open to individuals to coin, as it was in former times, do you think that such a state of things could have arisen?—Without resorting to a coinage of silver, and making that the payment, if the Bank had had the power of purchasing silver I think it would have answered every purpose.

2142. Were the Bank prevented from purchasing silver by the Act of 1844?—Yes, beyond a certain proportion.

2143. In what way did that Act limit the amount of silver?—The issue department of the Bank is bound to have gold in order to convert the Bank of England note which is convertible into gold, that being the legal tender; but that being provided with an adequate amount of gold, I see no reason why the further quantity of bullion should not be in silver.

2144. Mr. Cayley.] Why is it necessary to limit the amount of silver?—It is a matter of opinion how much gold is required; if the Bank held 5,000,000*l.* or 6,000,000*l.* of gold to secure the convertibility of the bank note in case of internal demand, it is as much as would ever be required.

2145. You say that the Bank of England note within your memory has never been discredited?—No, not in England.

2146. At any critical moment when there was a demand for bullion, could you not satisfy every reasonable demand with silver?—In working the double standard it would be so, but, practically speaking, I do not know any country where the double standard is in operation; the double standard exists in France, but there silver is cheaper, and is therefore almost entirely used; so in America they have the double standard, but silver, in fact, forms the currency.

2147. Mr. Spooner.] Do you recollect what really was the legal tender in the year 1797?—No, I do not remember.

2148. The legal tender in 1797 was in gold and silver in tale to any amount, that being the standard, when in 1819 you professed to return to the ancient standard of value; but, instead of returning to the ancient standard of value, you adopted a single standard of gold; what difference do you think that made in the pressure on the standard, or the increased value of the standard at that moment?—I do not consider that it made any sensible difference whatever; if there existed any difference, it is not now within my power to state it.

2149. Why do you suppose that other nations have derived no benefit in the using of another standard?—Because they adopt only silver practically.

2150. Mr. Cayley.] Why do they adopt only silver?—Because they find it cheaper.

2151. Would that not be an advantage to the trade of this country?—Yes, if it were cheaper it would be an advantage.

2152. Mr. Spooner.] Many persons conceived that it was limited to weight, but in 1797 you might have paid any amount in tale?—I do not consider that the difference could have exceeded the age that the gold bears in the general market of the world.

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2153. Are you aware that up to the year 1816 it was illegal to melt and export coin?—I believe it was.

2154. Do you think that the removal of that restriction had any effect upon the value of the standard?—I think not; but these are points that I have not given much attention to, and therefore I should be indisposed to offer any decided opinion upon the question.

2155. Mr. Wilson.] Do you think it would be fair to render it compulsory on the part of the Bank of England to purchase silver when it was not allowed to pay its notes in silver?—No; I think it should be left to its discretion.

2156. In April, when the silver of which you spoke arrived here, and the party to whom it was sent could not convert it into notes, would it have been in such a state of things wise or prudent for the Bank to purchase the silver?—I think it would; the foreign exchanges were forced up to 25/25; at that period there could be no question about the propriety of purchasing silver at the price corresponding with the rate of exchange.

2157. Do not you remember that at that moment there was a large export of gold going on?—No, not at that time.

2158. That took place in the month of April?—Yes.

2159. And it went on to May?—No; the whole export of gold was about 6,000,000*l.*; two-thirds of that went to America, and about one-third went to Russia, or the continent of Europe; the packet from America of the 1st of April brought advice of advance of the exchange, and the demand immediately ceased; there was a shipment made on the 17th or 18th of April by a house in Liverpool, but, from the extreme pressure, it was forced to be re-landed; but that would have gone out to America, if it had gone at all, at a positive loss.

2160. Do you recollect when bullion was at its lowest point in the spring of last year?—On the 24th of April, it was 9,200,000*l.*; it gradually increased from that time.

2161. If there was a demand for foreign payment, it was the same thing whether the silver was in the hands of a private merchant or in the hands of the Bank?—But there was not time to send silver abroad by the private merchant, who required the immediate use of the value; credit was so much affected in London during the restrictive action of the Bank, as to render the silver unsaleable by private persons.

2162. In ordinary circumstances, the person having that silver would have sent the silver abroad, and have drawn bills against it, and negotiated these bills on the exchange?—Yes, or he would have sold the silver to buyers of silver.

2163. But the state of the money-market was such that he could not sell it?—No.

2164. Then it was the great scarcity of money out of doors that rendered it impossible to sell the silver?—Yes.

2165. Mr. Thornely.] Could not the silver have been sent abroad, and bills of exchange have been drawn in respect of it?—There was not time for the person to get the proceeds of the silver home from abroad; bills of exchange were only partially negotiable.

2166. How many days would it have taken to send the silver abroad, and get bills of exchange discounted?—It would have taken 10 days; perhaps two or three days less.

2167. Mr. Wilson.] You stated that there was a double standard in France; is that so; can they make a compulsory payment either in gold or in silver?—I think they can.

2168. But on what terms can they pay in gold, because silver is the standard in the country, and gold fluctuates in price according to the supply and demand; is a 20-franc piece always exchangeable into 20 francs in silver only?—A 20-franc piece would bear the *agio* as well as any other description of gold.

2169. You may get 21 francs or 20 francs and a half, may you not?—Yes, in the public market.

2170. Who fixes that?—The public market; but provided you go to the Bank of France, and you want 100,000 Napoleons, as far as my information extends, they may say, "We have not got them to give to you;" if I tender 20 francs of silver for every Napoleon, they are not called upon to give me gold; but if I want to make a payment in gold, the 20 francs to the Napoleon is a good legal payment.

2171. Supposing by any change in the value of gold and silver a 20-franc Napoleon became worth in the market, at the relative value of the two metals, 18½ francs, do you apprehend that it would be a legal tender at 20 francs?—Yes.

2172. Do

2172. Do you apprehend that if you went to the Bank of France and demanded gold, you could compel them to give it you?—No.

2173. Then they have the choice of paying in gold or silver?—Yes.

2174. Then, supposing the Bank of England were to have the choice of paying in gold or silver, do not you think it would be a hardship on the public that the Bank should have the privilege of redeeming its notes, either in one metal or the other, whichever happened to be the cheapest?—That involves the question of a double standard, and that embraces so many considerations, that I do not feel able to answer the question satisfactorily.

2175. Mr. Cayley.] If that tended to prevent the fluctuation of notes, arising from the export of gold, and if that standard tended to give the public a greater security for convertibility than the other standard, during the export of bullion, would not the advantage to the public be greater on that account than the loss would be by dealing in the cheaper metal at the time?—Whether silver should be a legal tender, instead of gold, is a question by itself; I am not prepared to give an opinion upon the advantage of a double standard.

2176. Mr. Wilson.] Whether we have a double standard or not, and whether silver be a legal tender or not, I suppose, in ordinary circumstances, silver is just as valuable in the hands of a merchant for the purpose of being sent abroad as a commercial commodity, or for the purpose of correcting the exchanges, as it would be if it were in the hands of the Bank of England?—Yes, it is for that reason I advocate the propriety of the Bank holding a certain proportion of silver, or silver coin, as a means of making foreign payments in that description of bullion.

2177. At the same time an investment in gold in the hands of the Bank would be equally valuable for the same purpose?—Yes.

2178. It would be no advantage to the Bank if it were to hold 2,000,000*l.* of its capital in silver, instead of in gold?—No; under the present law the Bank have nothing to do with the issue department; if under any future action the Bank are to be responsible for furnishing gold or silver for foreign payments, great facilities would, I think, be afforded by the Bank holding a certain portion in silver.

2179. Mr. Cayley.] In 1839 the Bank of England was discredited by reason of this short supply of gold; if they had had 10,000,000*l.* of silver in addition to gold, in their cellars, would they have been so discredited?—Certainly not.

2180. Mr. Baring.] You stated that it was so easy for the Bank to make use of silver as for private persons to make use of it; do you remember the case which occurred last year of a person who was not able to use silver which was remitted to him?—Yes, that case has been already referred to.

2181. The Bank of England, if it had had that silver, might have issued notes, and have obtained money?—Yes.

2182. But the party who received that silver could not wait for the money?—No, not if he had been forced to export the silver.

2183. Mr. Wilson.] Have the Bank ever been exporters of bullion?—Yes, on one or two occasions; in 1832 I was a party to the export of 1,000,000*l.*

2184. That is quite an exception to the general rule?—Yes.

2185. Mr. Cayley.] Do you remember how the change in the Usury Laws arose?—It arose in the course of the negotiation for the Bank Charter in 1832; it was then suggested, that, in order to give greater facilities in correcting the foreign exchange, the Bank should have the power of charging any rate of interest it thought fit for bills not having more than three months to run.

2186. Then, the object of the Bank in correcting the foreign exchange is to create the greatest amount of pressure for a certain time?—The only mode, as it appears to me of correcting the foreign exchange, is to create a pressure by increasing the value of money, or reducing the quantity.

2187. Then, the object of the repeal of the Usury Laws was to facilitate a greater amount of pressure upon the mercantile classes?—I cannot regard it in that light; the object was to give the Bank facility in protecting the value of the bank note.

2188. But the consequence of the repeal was, that it enabled the Bank to produce a greater amount of pressure than before upon the trading community?—The object of the Bank is to produce the least possible amount of pressure; but the pressure must necessarily follow any correction of the exchange.

2189. But that power was given to the Bank?—If they abuse the power, it would be prejudicial to the trading community; but, inasmuch as the bank note

J. H. Palmer, Esq. is to be preserved in its integrity, there is, in my opinion, no other mode of preserving it than that of raising the rate of interest.

2190. And the repeal of the Usury Laws enabled the Bank to raise materially their rate of interest?—Yes, when necessary.

2191. That of necessity causing a pressure?—It may occasionally cause a pressure.

2192. Again another alteration was made in 1837?—That I was no party to.

2193. The repeal of the Usury Laws in 1832 related to bills not having more than three months to run?—Yes.

2194. The alteration in 1837 had reference to bills at any date?—Yes.

2195. Do you remember whether the object of that alteration was to give the Bank greater powers than it before possessed?—No; I believe that alteration was made upon the principle of effecting a total repeal of the Usury Laws.

2196. It was done upon theory to make the theory complete?—To make the practice complete.

2197. Do you remember whether it had the effect in 1830 of giving the trading community any great increase of accommodation under the pressure?—I am not able to answer that question.

2198. Do you think that in 1847 the trading community have been able more effectually than heretofore to escape from the pressure of the Bank's screw?—No.

2199. You do not think the facility they have had of borrowing at any rate of interest has given the public any great increase of accommodation, or enabled them to relieve themselves from the pressure?—Certainly, the repeal of the Usury Laws has given all parties the power for borrowing for their own purposes at any rate of interest that they see fit to pay.

2200. If the Usury Laws had remained, do you suppose that the accommodation which the public has received would have been experienced still, but at a less rate of interest?—I do not think that the accommodation could have been got in a legitimate manner.

2201. Do you remember any former occasion on which so large a portion of the trading community have gone without accommodation as they have done in the last year?—I am not aware that any have gone without accommodation, if they could afford to pay the rate of interest that was demanded.

2202. Do you ever remember so severe a commercial pressure as the commercial pressure of the last year?—No.

2203. Is not the severity of a commercial pressure rather a test of the facility or otherwise of getting accommodation?—I do not think that follows; the pressure of last year was one of an extraordinary nature, enough to destroy for the moment almost all the future transactions of parties engaged in commerce.

2204. Have you heard of any smaller traders in different parts of the town being compelled to pay as much as 25 per cent. for money?—That does not come within my knowledge.

2205. Did you ever hear of that occurring before the repeal of the Usury Laws?—I do not think the repeal of the Usury Laws has had anything to do with it; I attribute the whole pressure of the last year to the positive restriction placed upon the Bank by the Act of 1844; if that restriction had not been in existence, to the extent of preventing relaxation at the last period, or when the public required a further issue to supply notes and coin withdrawn from circulation, I believe there would have been nothing like the distress that was occasioned.

2206. Do you think that there should be a maximum and a minimum rate of discount with the Bank of England?—It would be desirable, I think, that the minimum rate of the Bank should never be below 4 per cent.; I judge so from my own personal experience in the Bank, and the opinion I entertain upon that question is founded more particularly upon my experience of 1830 and 1832; at that time their rate of interest was never below 4 per cent.; but the market rate was much lower in 1830; it was $2\frac{1}{2}$; the consequence of which was, that there was no application made to the Bank for discounts at that time to any extent.

2207. *Mr. Wilson.* What did the Bank do?—They invested in Government securities, except about 1,000,000 £. that they had remaining in bills discounted; as the demand for gold and silver arose for export, so the rate of interest gradually advanced up to the Bank rate, and then came a demand upon the Bank for discounts

discounts and the Bank met that demand for 12 or 18 months by the substitution of part of their Government securities for commercial discounts. *J. H. Palmer, Esq.*

2208. *Mr. Cayley.*] If there were a minimum rate of interest established by the Bank, would it not be fair upon the public to have a maximum rate of interest established?—No, I think a maximum rate cannot be, or ought not to be, enforced against the necessity that the Bank is under to protect the Bank of England note, or in other words their banking reserve. *29 February 1848.*

2209. Did you ever, before 1832 or before 1837, know the Bank of England to raise their rate of interest to more than 6 or 6½ per cent. in order to rectify the exchanges?—I never remember the rate of interest being advanced beyond 6 per cent., and that was upon one occasion only, in 1838, for two or three months; that is the only instance ever since I have been in the direction of the Bank, except in the last year.

2210. With that advance of interest to 6 per cent. the Bank at all preceding periods were able to rectify the foreign exchanges?—Yes.

2211. Do you think the Bank would be able to rectify foreign exchanges by advancing the rate of interest to 6 per cent., when everybody else, in consequence of the repeal of the Usury Laws, was charging 8 and 9 per cent.?—They might; but it is impossible to draw a conclusion upon that without knowing the particular circumstances at the period in reference to which the question is asked; the times and circumstances may change so completely as to alter the entire position of the Bank.

2212. If the Bank were limited to charge a minimum of 4 per cent. and a maximum of 6 per cent., do you think the trading public could have such extortionate demands made upon them in a state of pressure as 10 or 15 per cent.?—I think that any legal enactment fixing the maximum rate of interest to be charged by the Bank would be extremely dangerous.

2213. The Usury Laws created such a limit, it was 5 per cent. before 1832; do you think that the pressures have been less since 1832 than they were before?—I think the pressures have been considerable, but arising from totally different causes; generally speaking, I think charging 5 per cent. interest would correct the exchange; but there may be exceptions to any general rule of that kind; I think it would be very rarely that this country would be called upon to pay more than 5 per cent.

2214. Do you think the fluctuations in the value of money have been less since the repeal of the Usury Laws than they were before?—They have not, I think, been more; the only serious fluctuation in the value of money was in one year, and that was for two or three months, and then it is questionable whether it was required; in the autumn of 1839, the Bank raised the rate to 6 per cent.; the rate of 6 per cent. was charged during the progress of the negotiation with Paris, but it only lasted two or three months.

2215. In order to correct the foreign exchanges, you consider that raising the rate of interest is as efficient an instrument in your hands as diminishing the circulation?—I think that it is the only efficient mode, and far more efficient than diminishing, or attempting to diminish, the circulation; it is the attempt to diminish the circulation which brings all the mischief.

2216. *Mr. Wilson.*] You say that you think it would be an advantage for the Bank to have a minimum rate of discount?—Yes.

2217. But a minimum rate of discount is not equivalent to a minimum rate of interest, because if the Bank charge a minimum rate of 4 per cent., while money out of doors is worth only 2½ per cent., the Bank do not get any bills to discount, but invest their money in securities at a lower rate than 4 per cent.?—Yes.

2218. Therefore, a minimum rate of discount is not equivalent to a minimum rate of interest?—Not in a case where the Bank invest their money in securities.

2219. If there were a Government regulation fixing the minimum rate of discount of the Bank at 4 per cent., as it was at one period, the only effect of that would be to prevent the Bank discounting at particular periods, and oblige them to resort to the public securities?—Exactly.

2220. And if they resorted to the public securities, the parties of whom they bought would become possessed of funds to employ in discounts?—Certainly.

2221. So that the money of the Bank would go into the discount market only in a circuitous route to be employed by others at 2½ per cent.?—Yes.

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2222. So that there would be no fixing of the minimum rate?—But the principle of the action of the Bank of England is totally different from that of individuals; the action of the Bank in those cases in which they reduce the rate of interest is one full of objection; I allude particularly to the period of September 1844; no sooner had that Act passed than the act of the Bank was to reduce their rate of interest from 4 per cent. to $2\frac{1}{2}$ per cent., for the purpose, on the separation of the accounts, of employing in discounts a portion of that large amount of reserve which they had in their possession: the consequence of that reduction to $2\frac{1}{2}$ per cent., the currency at the time being upon the increase, was, that the money-dealers in the public market brought down their rate below the Bank rate; the Bank reducing their rate to $2\frac{1}{2}$ per cent., compelled the money-dealers to go down to 2 or even as low as $1\frac{1}{2}$ per cent.; such was the operation of that measure, which tended very much to increase the speculative feeling in the country; it is a question whether it is not exceedingly prejudicial to attempt at all times to govern the Bank rate of discount by the public market.

2223. Are there not a great number of very able persons in the discount market in Lombard-street?—Yes.

2224. There are a variety of brokers' houses which are competing for good business?—Yes; if the Bank reduce their rate of interest, the rate of interest in the London market falls below it, and when the Bank raise their rate, the market rate immediately advances; as the Bank is the only body creating bank paper in London, it cannot, I think, conveniently or satisfactorily reduce the rate of interest, under such circumstances as existed in September 1844, and obtain any advantage whatever to the public, or any benefit to the Bank by so acting.

2225. Whether it be right or wrong, as a part of bank management, the circumstance you have referred to by no means leads the Committee to infer that there was a minimum rate of interest in the money market?—No.

2226. The rate of interest, in fact, was dependent upon the supply and demand?—I spoke of the minimum rate of discount at the Bank, and the propriety of adhering to it.

2227. But not the minimum rate which the public pays for its interest?—No.

2228. Therefore the fixing of the minimum rate of interest by the Bank would not be fixing the value of money in the money market?—The probability is, that in times of influx of bullion and increase of currency the rate of interest in the market is below that of the Bank; at the present moment the Bank rate is 4 per cent., and in the money market it is not more than 3.

2229. With regard to a maximum rate, you have stated that it would be extremely inconvenient and impossible, looking to the convertibility of the bank note, that a maximum rate should be fixed; supposing the maximum rate were fixed, and the Usury Laws were restored to 5 or 6 per cent., in the case of a great pressure, would not the commercial public sustain losses, in consequence of being obliged to pay commissions, or, if they could not get money, being obliged to sacrifice their goods by forced sales, in order to get the money, which would be more than equivalent to the higher rate that they would now pay?—I think there is more advantage to the public in having the rate of interest free.

2230. The public would have a greater advantage in the higher rate of interest from the importation of capital?—Yes.

2231. Therefore the public demands would be sooner relieved by a high rate of interest, causing an importation of capital?—Yes, the whole circulation of the country, in my opinion, is more easily managed without the Usury Laws than with them.

2232. Do you remember that in the depression at the end of 1825 colonial produce of all descriptions fell in price?—I do not remember it, but very probably it was so.

2233. You do not remember the great re-action in prices which took place in the autumn of 1825?—I remember the speculations, but I do not remember the state of prices.

2234. During the last year was there such an extraordinary fall in the price of commodities as occurred at the time the Usury Laws were in existence?—I think there was; tea, silk, indigo, sugar, and all the great articles of production, fell enormously in price; sugar, perhaps, more from the excessive quantity that was imported than from any other cause; there was no excess, materially, in the importation of other articles, but the fall has been immense, 20, 30 and 40 per cent.,

cont., and I cannot attribute that to any other cause but the extreme monetary pressure during that period.

2235. Mr. Copley.] That pressure being occasioned by the power which the repeal of the Usury Laws put into the hands of the Bank?—I attribute the whole of it to the Act of 1844.

2236. Did you ever know an instance where the raising or lowering the rate of interest by the Bank had not a material influence, on the rate of interest throughout the kingdom?—I think it has a material effect.

2237. Are the assets of bankrupts' estates, since the repeal of the Usury Laws, less melted down when they come to be examined into than they were before?—It depends upon the circumstances of the failures; in 1847 there have been several cases of improvident management; but in a number of the failures that took place the assets have been very large, and they have been depreciated entirely by the pressure arising out of the Act of 1844.

2238. Sir William Clay.] You expressed an opinion, that it would be useful if the Bank had the power of advancing upon silver, or of discharging their obligations in silver?—No; I said that the advantage would be in the Bank purchasing silver in such a state of the foreign exchange, as would make it favourable to the Bank to hold silver instead of gold; the quantity of gold which the Bank are required to have, has an effect upon the *agios*; we hardly ever find the price of gold in Paris higher than 10 to 12 per mille, which is about $1\frac{1}{2}$ per cent.

14 March 1848.

Memoandum.—SINCE giving my evidence before the Committee on the 29th ultimo, the circumstances which have taken place upon the Continent have brought to my recollection an omission on my part to represent the effect which such occurrences are likely to have upon the currency of this country under the Act of 1844.

I have alluded in the foregoing evidence to the effect, whether arising from an unfavourable exchange, from commercial causes, or from an internal discredit, occasioning an abstraction of a portion of the circulating medium. In addition to the liability to which the country is subject from either or both these events, it appears to me important to state, for the consideration of the Committee, the effect upon our currency from a discredit existing in foreign countries during such political changes as are now taking place, affecting, to a certain degree, the whole Continent. The effect produced by these events is an immediate foreign demand for bullion, from the general check given to credit circulation abroad; and as England under such circumstances becomes the most prominent place of credit and security, the drain is promoted by presenting the most favourable market for the sale of foreign securities, and for the deposit of colonial and other produce, so long as the foreign discredit continues. In proof of the early character of the demand for specie upon the present occasion, it may be right to mention that it commenced on the 28th ultimo by an export of 50,000 *l.*, and has since continued to the extent of about 80,000 *l.* per week; a further confirmation of the character of such a drain is afforded by reference to what took place upon a change of government in France in July 1830, when the bullion in the Bank was about 12,000,000 *l.*; from that time the foreign demand for bullion continued until the end of March 1832, when a reduction was exhibited of near 7,000,000 *l.* At that period confidence abroad was restored, the exchanges advanced, the bullion increased, and the position of the Bank was regained without any affection of the credit of this country from the commencement to the termination of that drain. If, during that time, the Act of 1844 had been in operation, the commercial credit of this country would, in all probability, have been unnecessarily depressed by a forced action on the part of the Bank, in order to preserve a relative proportion in the banking department between the reserve and the deposits, while there would have been a larger amount of bullion in the issue department than was required to secure the convertibility of the Bank note. The Act being now in existence, if the present foreign demand for bullion continues for any length of time, and the Bank be expected to advance the rate of interest at an early period as their reserve diminishes, an extreme pressure, which was avoided from 1830 and 1832, may be not unlikely to occur with upwards of 9,000,000 *l.* of bullion in the issue department. It is, I submit, in such times and under such circumstances, that judgment might with pro-

priety be exercised as to the cause and probable duration of the drain, and contraction be delayed until the necessity of resorting to an advance in the rate of interest, or otherwise, be exhibited in order to secure the convertibility of the Bank note; an earlier action by the Bank may force the state of credit in this country down to a level with that upon the Continent, which by a reasonable delay might be avoided.

Veneris, 3^a die Martii, 1848.

MEMBERS PRESENT :

Mr. Glyn.
Mr. Thorneley.
Mr. Spooner.
Mr. Disraeli.
Mr. Alderman Thompson.
Mr. Harries.
Mr. Hume.
Mr. Cobden.

Mr. Cardwell.
Sir Robert Peel.
Mr. Cayley.
Mr. Beckett.
Mr. Hudson.
Lord George Bentinck.
Mr. Wilson.

THE RIGHT HON. F. T. BARING, IN THE CHAIR.

Robert C. L. Bevan, Esq., Examined.

*R. C. L. Bevan,
Esq.*

3 March 1848.

2239. *Chairman.*] YOU are a banker in London?—I am.
2240. How long have you been in business?—Twenty years.
2241. Do you recollect the difficulty that took place in February 1846, in consequence of the payments by the railways?—I do.
2242. Will you have the goodness to state to the Committee what the facts were at that time?—Great apprehension took place lest there should not be found sufficient money to pay the railway deposits with the Bank of England that were known to be so largely due; and there did seem to be a great difficulty; and we wondered very much why some measure was not taken to give relief at the time, and at last it was so done; and then the whole thing went off very quietly and easily.
2243. To what do you attribute the difficulty at that time?—The knowledge that the Bank could not exceed a certain amount; that it is tied down by certain restrictions under the Act of 1844.
2244. Do you conceive that if the limit of the Act of 1844 had not been in existence, there would have been any difficulty at that time?—I can scarcely give an opinion upon that; it would have depended upon the conduct of the Bank.
2245. There was nothing in the state of trade or any other circumstance to which you would attribute it?—I do not recollect any other.
2246. So far as your knowledge went, in what state do you consider trade to have been at the end of 1846 and the beginning of 1847?—It was generally considered to be in a fair state; of course there had been a good deal of money absorbed by the railways at that time.
2247. Did you find, in your own business, that it affected your deposits at all?—No, we did not.
2248. Not materially?—No.
2249. With respect to the difficulties of 1847, to what do you attribute those difficulties?—I should say partly to over-trading, and partly to the knowledge of the limit that was imposed upon the Bank.
2250. When you speak of "over-trading," what do you mean?—I think that the previous facilities, with respect to money, afforded, directly or indirectly, by the Bank, and the consequent depreciation in its value, led people to put out their money improvidently.

2251. You

2 March 1848.

2251. You think that the Bank afforded too great facilities previously to the commencement of 1847?—I think they fixed the rate of interest at too low a rate, and were too eager in pushing their business.

2252. What time are you speaking of?—I am speaking of 1845.

2253. In 1845, you think they brought down the rate of interest too low?—I think they did, and entered into competition with other money dealers to an extent which they never had attempted before, at least not in my time, and, I believe, never before.

2254. How long did the pressure of April 1847 last?—Not above a month, I think.

2255. To what immediate cause do you attribute that pressure?—There are two points to be considered; the pressure and the panic. In April it was rather a pressure than a panic; the very great exportation of bullion in payment for corn, and the absorption of money for railways, were the immediate causes of the pressure.

2256. Was there any particular circumstance that gave rise to the immediate difficulty?—I do not remember any other.

2257. You do not attribute it to any act on the part of the Bank, or on the part of the Government?—If I remember right, previously to April 1847, we were all surprised at the Bank not raising the interest; it was felt by everybody who had money dealings, that the Bank ought to raise the rate of interest, and it was expected every week that they would do so. I think much evil resulted from their not having done so at that time.

2258. In October 1847 the private bankers had a communication with the Government?—They had.

2259. Will you have the goodness to state what was the origin of that communication, and what took place between yourselves and the parties whom you saw?—The immediate cause was our perceiving that the notes in the Bank of England were dwindling down to so very small a sum, and our knowledge that many parties were being much pressed in town and country, and that if something was not done, many persons whom we believed to be perfectly good and solvent would be brought down.

2260. That was the general impression of the private bankers in London?—It was, and when we saw the notes down at 2,500,000 *l.*, as reported by the official list, as they were on the 23d of October, and we knew that they were at that moment really much lower, we thought the time was come when something should be done; we had heard general suggestions to that effect which we did not listen to for some time; but we thought then that it was a public duty. I think it was more as a public duty than for any interest of our own. I do not think that we so much cared about it for ourselves as we did for the interest of the public generally, although, of course, bankers must be more or less affected by calamities in the commercial world.

2261. In consequence of that, was there any meeting of the bankers, and did they come to a decision as to what should be done?—No; we went from one house to another that morning; nobody had liked to make a move in the thing; but when the move was once made, all those that were applied to immediately were ready to come; the only large banker who was not applied to was Mr. Lloyd, whose opinion we knew, and we did not ask him.

2262. In consequence of that, you had some communication with the Government?—We all went up together to Lord John Russell.

2263. That was on the 23d of October?—It was.

2264. What took place upon that occasion?—We then stated the same facts which I have now stated to the Committee, that something must be done, otherwise great mischief might ensue; before we went in, we consulted together as to what we should ask for; some thought that 3,000,000 *l.* would be enough, others thought that it would be necessary to ask for 4,000,000 *l.* or 5,000,000 *l.*; I think we should all have rather asked for 5,000,000 *l.*, but we were afraid that the Government would not grant it; some said, "Let us only ask for the smaller sum and they will be more likely to grant it;" but I think they were all exceedingly glad when the letter came out fixing no limit; for I think if a small limit had been fixed, for example, if 3,000,000 *l.* had been fixed, more evil than good might have resulted from it.

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2265. What

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2265. What you proposed to the Government was, that the Bank should be allowed to issue 3,000,000*l.* beyond the limitation?—I think the sum named to the Government was 3,000,000*l.*; others stated, and I myself stated, that I did not think that 3,000,000*l.* would be enough to allay the panic; for I think we all agreed in that, that what we wished then to be allayed was panic; for the public was beside itself; every one was hoarding his money; we knew, in many cases, that parties were hoarding their money, and we believed that such a measure would probably produce exactly the results which it did produce.

2266. You say that you knew that parties were hoarding money; can you give any impression as to the mode in which that was done?—We have a large country bank connexion, and we had reason to believe that the country banks had a larger amount of notes in store than usual; and we heard of instances of private parties hoarding money.

2267. When did that commence?—I can scarcely state when it commenced; but I should think through September it was going on, and increasing every day.

2268. Did that take place in the preceding April at all?—I am not aware of it; not to the same extent.

2269. Your communication with the Government was on the 23d of October, proposing a limit; but you entirely approved of the Government issuing their letter without any limit?—Very much; I think it mainly tended to produce the desired result.

2270. Do you consider that the Government were right in fixing the amount of interest below which the Bank should not discount?—I can hardly state an opinion strongly upon that; I do not think it was very important, one way or the other.

2271. Do you consider that it would have been safe, on the part of the Government, to have issued that letter before they did?—I think it would have been better if they had issued it a fortnight sooner; but if the Government had not given such decided negatives as they did to parties seeking for relaxation of the limit, but had rather given the public to understand that, in case of sufficient emergency, they would not shrink from the responsibility of suspending the Act, I think it is most probable they would not have been obliged to do so at last.

2272. Are you of opinion that the publication of the Bank accounts had any had effect during the difficulties?—It is impossible to tell how far the public would have supposed that there was something worse, if they had not seen the real state of the case; yet they could hardly have expected anything much worse.

2273. Have you formed any opinion as to whether any change should be made with reference to the publication of the accounts?—I should not wish a change to be made in that.

2274. You think, upon the whole, it is better to leave them as they are?—I think that is very well; I think the public now know the worst, and that, upon the whole, the publication is desirable.

2275. With regard to the conduct of the Bank during the whole of these transactions; what is your impression as to that?—I think that, in 1845, as I said before, they opened their doors too widely; they entered into competition with all the money-dealers in a manner and to an extent which I do not think they were justified in doing.

2276. But during the time when the difficulties arose, from April downwards, what is your impression?—I think they did everything they could; but I do not know particularly what they did, as I had no transactions with them myself; from all that I heard, I believe it was the general opinion that they acted liberally; that they did what they could under the Act.

2277. Do you recollect what was the amount of the deposits of the private bankers with the Bank in October?—I have no means of knowing that.

2278. It has been supposed that there was some determination come to by the London bankers, in case the Government had not given way, to draw out those deposits at once; is there any truth in that?—I should think it never crossed their minds.

2279. There was no such determination?—Certainly not.

2280. Will

2280. Will you give the Committee your opinion as to the working of the Act of 1844, during these difficulties; you have incidentally mentioned your opinion, but will you state whether you think the limitation of the Bank's issues has produced benefit or evil at these periods?—Certainly, evil has resulted; but then, on the other hand, perhaps if there had been no such limitation, worse evil might have resulted; I think, if there had been a knowledge, as I have stated before, that there was a power of extension, it would have acted well.

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Esq.

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2281. You consider that if there had been a discretionary power in the Act, it would have been sufficient to obviate the difficulties that arose?—I think it would.

2282. You would not then get rid of the limitation altogether, but only have a discretionary power in case of difficulty?—I think that would be what I should like to see done; it would be another question, perhaps, if I had to do the thing over again; but I think that alterations in the monetary system are so inconvenient that I would at least give the Bill another trial, altered merely in this point. I think that a power should be lodged with some parties to extend the powers of the Bank under certain emergencies.

2283. With whom would you lodge that power, and under what limitations would you give it?—I should not give the discretionary power to the Bank, but to some parties appointed by the Government.

2284. You would place it in the Government?—Yes.

2285. And make it entirely discretionary?—Entirely discretionary.

2285. Have you any other suggestions to make with reference to the Act of 1844?—I am inclined to think that it would be well that the Bank should be allowed to issue against silver bullion, as they do against gold coin and bullion.

2287. To any fixed amount, or according to their own discretion?—I conceive that there would be no danger in their issuing upon silver bullion to the full amount. Though I am not much acquainted with bullion transactions, or with exchange operations, I have understood that there would not be likely to be any evil result from their issuing to the full amount upon silver bullion.

2285. What convenience do you think would arise from their having the power to issue upon silver bullion?—If they have got silver bullion in their coffers, I do not see why they should not issue upon it. It appears to me hard that parties having silver bullion should not be able to raise money upon it. In April 1847, some parties who had a large amount of silver bullion could not raise money upon it. I do not see why that should be; but I confess I am not particularly conversant with that point.

2289. Would you consider that any alteration in the constitution and management of the Bank would be advantageous?—Yes, I think there should be some alteration.

290. In what way?—I think that it is an evil that they should be solely chosen from one class of persons, viz., the largest and most extensive merchants of London; a class who, of all others, are most liable to get into misfortune. In the 20 years that I have been in business, very many of the largest merchants have failed; very many of those who were the principal merchants 20 years ago have either failed or dwindled away now. Whereas, if you take the 10 principal traders, or the 10 principal bankers, or perhaps the 10 principal shopkeepers in London, 20 years ago, you will find that they still remain. I scarcely know an instance of a principal banker, or a principal trader, who was so 20 years ago, that has not held his position. Therefore, I think it a mistake that all the Bank Directors should be chosen from this one class of men. I believe they choose the best men they can get, because they choose the principal merchants; but the majority of them have one interest, which is, to make money cheap, and to do the best they can for the proprietors of Bank stock; ever since the reduction of the remuneration from Government they have had a gap to fill up. At first, upon that being withdrawn, they could not continue their 8 per cent. dividend; and I think it was not till 1844 that they then, by trading much more extensively as private bankers, and taking the advantages which they were told they might, of doing the best they could for themselves as private bankers, filled up the gap, or went a great way towards filling it up.

2291. Has their course of business much changed since the Act of 1844 in
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that way; have they extended their discount business very much since?—Very much, indeed; I think they had a great deal to do in fostering the system of drawing long bills from India by giving great facilities to that business; Indian houses were led to extend their business enormously upon the facilities afforded to them of raising money upon this sort of long paper; I think, for some time, the Indian houses remembered the lesson which they had received when Palmer's, at Calcutta, and some other houses, failed 10 or 12 years ago, and when some of the Indian houses here failed at the same time; but I think they forgot that, and extended themselves far too much; but they were partly led into it by the facilities afforded by the Bank.

2292. Have you anything further to add as to the constitution of the Bank; would you propose that any permanent officer or any parties unconnected with business should form part of the Bank direction?—Certainly not a permanent governor, but I think that an infusion might be desirable of some permanent and independent parties, who were not in business, and had no interest in making money cheap or in making it dear, independent, if possible, of the proprietors, who could keep a watch upon the conduct of the directors, and would act as a check upon them; the excluding bankers from the Bank direction is, I think, a mistake.

2293. What advantage do you think would arise from having bankers in the Bank direction?—I think there would be a counteracting influence to the merchants; and very often, I think, they know more about the monetary state of the country than merchants do.

2294. As to the circulation of the country banks, what is your opinion of the operation of the Act of 1844 on that point; has it worked well?—I am not sufficiently acquainted with country banking, to give evidence upon that point.

2295. Do your correspondents issue notes?—Some of them do, and some of them do not.

2296. Have you any means of forming a judgment whether the Act of 1844 has produced prudence in their transactions?—We have never seen any imprudence on the part of any of our country banks.

2297. You have no means of forming an opinion upon that point?—No.

2298. Have many of them complained of the operation of the Act upon them?—I think some of them have tried to evade it by issuing short-dated bills to take the place of notes.

2299. Do you suppose that has gone to any extent?—One or two have done it rather largely, but not many.

2300. Sir Robert Peel] You think it would be desirable that in the direction of the Bank there should be some infusion of directors of a character more independent of trade and more permanent; how would you propose to introduce those into the direction?—That must be a subject of deliberation; I cannot say that I have formed any definite plan.

2301. Do not you think that if the Government had the power of naming the directors independently of the Company, that would alter very much the character of the institution?—It might do so, but I think some plan might be devised; perhaps the directors might consent to it, and if the directors consented to such a plan there would be no difficulty.

2302. Would not it establish a direct connexion between the Government and the Bank as to the management of the affairs of the Bank?—Some plan might be devised, I think, to get over that difficulty.

2303. Do you think, supposing that independent directors were introduced, that they ought to have any more power than the directors elected by the Bank?—No.

2304. So that still they would be in a great minority?—Yes; but that minority might have considerable influence when enlisted on the prudent side.

2305. You would not propose that there should be a permanent Governor of the Bank?—Certainly not.

2306. Would you propose to permit the Bank to issue notes upon silver bullion in the same manner in which they issue notes upon gold bullion?—I do not see what harm could result from it; I do not think that silver bullion would be likely to accumulate to any large amount.

2307. You

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2307. You are quite aware of the distinction between silver coin and gold coin; that the gold is the standard, and that the silver at present is a mere token?—Yes.

2308. An issue upon silver bullion would be merely an issue upon a particular species of merchandize, would it not?—Yes, it would.

2309. With this distinction, perhaps, that silver is the standard of other European countries?—Yes; I do not see any practical evil that would result from it.

2310. Would you allow it to an unlimited extent?—I am not well acquainted with the currency question, and do not profess to be able to go into it in all its bearings.

2311. With that one exception, that silver is the currency of many European countries, there would be no difference in this country between an issue upon silver and an issue upon copper, would there?—No; but silver would always find its vent. I believe that silver is constantly exported to foreign countries, and that it does not accumulate there.

2312. Arising from the fact that it constitutes the currency of other countries?—Yes.

2313. Mr. Herries.] Silver would meet the case of a drain for exportation?—I conceive that it would.

2314. Mr. Glynn.] You do not make any objection to the rate of interest fixed in the Government Letter to the Bank of 3 per cent.?—No.

2315. That was the prevailing rate of interest at the time?—Certainly.

2316. Were you rightly understood to say, that the immediate cause of the pressure in the week ending the 23d of October was the demand for country banks?—I said, that the knowledge that there was a demand both upon country bankers and upon parties in town was the chief reason why we went up to the Government.

2317. Did not the alarm amongst country bankers only take place in the course of 10 days previous to the 23d October?—That had not existed long.

2318. You said that you should have thought it better if the Government Letter had been issued a fortnight earlier?—I think so; I think the circumstances would have justified it, and that perhaps some evil would have been avoided; I think that many parties were driven to make great sacrifices in that fortnight; the more prudent parties made sacrifices, and great losses were sustained by a number of parties who did not fail. We must not estimate the evil by the failures; there were many others who sustained large losses who said nothing about it; and I think in that fortnight many large losses were made for which there was no real occasion.

2319. Mr. Alderman Thompson.] You have stated that you consider that the chief causes of the panic and distress in October last were over-trading and the restriction of the Act of 1844; what symptoms of over-trading did you witness prior to October last in the commercial community?—Those houses that did come down certainly had over-traded very largely.

2320. Is it your opinion, then, that the fall of all the houses which failed in September and October last, is to be attributed to over-trading?—Most of them; I should almost say all.

2321. Are you not aware of any house having failed in the autumn of last year which was in solvent circumstances?—Yes; I am aware certainly of two, and perhaps more.

2322. Had those two houses been over-trading?—I think they had traded fully up to the mark; they would admit themselves that they had traded beyond what was prudent; but not at all to the extent to which some others had over-traded.

2323. Do you mean houses in the East India and Mauritius trade?—In the East India trade and in the Mauritius trade; they justify a great deal of that over-trading by the circumstance of the great depreciation of their property, consequent on the alteration of duties, making their assets appear very small, which otherwise would have been more adequate to their engagements.

2324. Do you conceive that the operations of the commercial community in the last year were, upon the whole, attended with loss or otherwise?—I should think that the profits of merchants would be very small last year.

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2325. What was the minimum rate of interest charged in the year 1845 in Lombard-street, upon bills of exchange?—I cannot say what other people did.

2326. What was the rate of your own house?—We discounted as low as 2½ at that time first-rate bills of very short dates.

2327. Is it usual to have two rates of interest; does a banker charge his customer a higher rate of interest than he charges a bill-broker?—Certainly he does; he considers it as so much loose money that he employs in such amounts and at such dates as he pleases.

2328. You state that the lowest rate of interest that you charged in 1845 was 2½ per cent., and you before stated that you considered that the Bank, in running down the rate of interest in the year 1845 (their minimum rate appearing, by the returns laid before this Committee, to have been 2½ per cent.) lowered it in an unjustifiable manner; how do you explain that?—We may be obliged to go down with the Bank; but I believe the Bank discounted bills of a longer date than we would have done at that rate.

2329. Do you think that it was prejudicial to the public interest, in the year 1845, that the Bank lowered the interest to 2½ per cent.?—I do, eventually.

2330. Why do you think so?—I think it led to a great deal of over-trading; I think people calculating upon being able to get money, at such a low rate, went into speculations and various operations which they might not otherwise have done; I have known cases of parties saying, "Money is very low; I have no use for it; but if I can get it at such a price I will take it, and see if I cannot do something with it;" parties take it without having any occasion for it, because they think that at such a low price they cannot be hurt, and that they take the chance of finding employment for it.

2331. But a banker will not lend his money at 2½ per cent., unless he is satisfied of his security?—Yes, but the party borrowing it may not be so careful.

2332. Is not it an advantage to a banker to keep the rate of interest as high as he can?—The prevalence of an exorbitant rate of interest is not for his ultimate advantage, because that which injures trade injures him eventually, though, of course, he keeps his charges for discount as high as the market will justify.

2333. Do you think it beneficial to the commercial community to pay a high rate of interest?—I have heard many traders and merchants say, "We had much rather that money should be from 3 to 4 per cent. interest;" I think that many capitalists, who really have money, are injured by being competed with by parties who have not got money, and who can raise it so cheaply.

2334. You have stated that you think it is objectionable that private bankers should be excluded from the direction of the Bank of England, and that you consider that it would be a check upon the directors in lowering the rate of interest too rapidly; is that your opinion?—It is my opinion.

2335. Then, from that opinion, are not the Committee to collect that the bankers are desirous of keeping up the rate of interest?—It depends upon the extent; they would keep it up to a certain point, but I do not think they wish to see an inordinate rate of interest; they would like to keep it as even as they can.

2336. Would not there be then a collision of interests; as you say that your objection to having exclusively commercial men in the direction of the Bank of England is because they are apt to keep the rate of interest too low, and therefore you would have bankers in it, because they would keep up the rate of interest; would not that occasion a risk of collision and difference of opinion?—I admit that upon the principle that if it is objectionable to have exclusively mercantile men, because their interest is to keep down the rate of interest, it would be objectionable to have exclusively bankers, because it would be their interest to keep it up; but I think what is called collision is a species of compensation; one will act against the other properly and wholesomely; I think it is wrong to have them all with one interest; it would be a great pity to have it the interest of all to keep it up, and I think it is a pity to have it the interest of all, or at least a considerable majority, to keep it down.

2337. If you look at the list of directors of the Bank of England, do not you find almost every leading interest in the City of London, and in the commercial world

world represented, with the exception of the banking interest?—Merchants, not traders.

2338. And the manufacturing interest?—I do not remember any large wholesale Manchester houses, for instance, among the Bank directors, who are some of them the richest and most important men in the City of London; I think they are all merchants, if I remember rightly.

2339. You stated that you thought that the Bank did not raise the rate of interest soon enough in April last; are you aware that the rate of interest on the 10th of April was raised to 5 per cent. by the Bank?—I am speaking of a time before that, about March; it was expected then every week, I think, that they would raise the rate, and we were surprised that they did not raise it till April.

2340. Would not the raising the rate of interest at a time when there was a general apprehension of a scarcity and of a difficulty of procuring a sufficiency of food, have tended to check importation?—I do not know that it would to any important extent.

2341. Does not a low rate of interest encourage importation and speculation, and by a parity of reasoning would not a high rate of interest have the contrary effect?—But still there must be some point at which you would fix it; the same reasoning would apply if it were said, "why should not it have been 3 per cent. at that time?" the Bank thought that 4 per cent. was the proper rate to fix; I think they ought to have named 5.

2342. Was not it a very good reason why the Bank should not have reduced their interest from 4 to 3 per cent., the exchanges with the continent of Europe being pretty nearly at par?—I think it would have been very wrong. On the contrary, as I said, I think they ought to have raised it to 5 in March, instead of waiting till April; and I believe that was the general opinion at the time.

2343. You have stated that the pressure in October 1847 was of no consequence to you, but was not that pressure of great consequence to your customers?—Yes, I think very serious. I have stated that I considered that the state of things in October 1847 was exceedingly injurious to a great many people; that a great many people who did not fail suffered very large losses by great sacrifices of property; and, perhaps, some holder men availed themselves of the great depreciation and sacrifice of property that more prudent men made, in order to save themselves from anticipated difficulty.

2344. Did you find it inconvenient to afford your customers all the accommodation that they required?—We found it inconvenient only, because we were afraid of what might come. I do not think that we experienced any inconvenience, except from apprehension. Many parties came in to us, and said, "If we want money, can we have it?" many parties who never took it; and other parties had large balances with us that we dared not use; it was not so much pressure as panic at the time we went up to the Government.

2345. Then from apprehension arising from those hypothetical questions being put to you by your different customers, you were induced to keep a large reserve, or, in other words, you did not part with your money so freely as you otherwise would have done?—We kept a larger reserve than we otherwise should have done; but I believe we afforded our usual accommodation to our customers.

2346. Had you any applications from your country correspondents, bankers; had you the same questions put to you by them, whether in case of need you could afford them accommodation?—We had by some parties who had never asked us before.

2347. And who had been connexions of yours for many years?—For many years; some of the most respectable and best customers we have.

2348. And who probably in ordinary times used to have large sums of money employed in discounts in the City of London?—Some of them had still; but yet they wished to know, if occasion should require, whether they could have money, and we felt ourselves bound in some cases to say they should, which was so far a pressure upon us.

2349. You have stated with regard to the Bank making advances upon bills of exchange, that you attribute the system of drawing long bills (by which I suppose you mean 10 months' bills from India and China) to the circumstance of the Bank having, since 1844 periodically advanced money upon those bills where

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they had not more than six months to run; are you aware that for the last 17 or 18 years the Bank have been in the habit of advancing money upon hills not having more than six months to run, and that it has been for a longer period than 18 years the habit to draw those East India hills, not at 10 months', but at 12 months' date?—I do not think I said that it was altogether new, but what I intended to say was, that the Bank has encouraged the system very much of late; I believe, of course I cannot state positively of my own knowledge all the Bank did, it must be in some degree hearsay; but I think the system has been extremely extended of making that sort of advances upon India hills since 1844; we have seen much more of it than we did previously.

2350. Are you not aware that it has been the practice generally, since the East India and China trade was thrown open, to draw hills at 12 months' against produce?—Yes, it may have been.

2351. Then you must be mistaken in attributing to the Bank of England to have been the cause of those long India hills being drawn, and of that crisis which attended the East India trade, by advancing upon six months' hills?—But then the system may have been extended; that which may have been done to a moderate extent formerly, may have been done to an immoderate extent recently.

2352. But is it not the fact, that of late years, since steam-navigation was introduced, in order to accommodate the intercourse with India, those hills have been reduced from 12 months to 10 months?—It may have been so.

2353. You have stated, that you think that not only bankers, but that persons independent of trade, ought to be introduced into the Bank direction, and that, perhaps, that might be done with the sanction of the directors; are you aware that the directors are elected by the proprietors of Bank stock, and that the Bank stock holders consist of many hundred persons?—I think some plan might be devised by which some such infusion might be effected; of course it would require a good deal of consideration and conference with parties to say how that should be effected; but, certainly, I think something should be done to alter the present constitution of the direction of the Bank, though, I believe, they are as honourable men as can be found in the City of London; and that, *bona fide*, they choose the best men they can find, in a certain class, to fill up vacancies as they occur.

2354. If some of the directors are to be nominated, that nomination must rest with the Executive Government, as it cannot be exercised by the directors themselves?—Certainly; the nomination would not be exercised by the directors themselves.

2355. Mr. Glyn.] Did you ever know an instance of the Bank proprietors interfering in the election of the directors?—I never heard of such a case.

2356. They are self-elected, are they not, now?—They are virtually so.

2357. Mr. Alderman Thompson.] Do you mean to say, that whenever there is a ballot at the Bank for the election of directors, a considerable number of the proprietors, independent of the directors, do not attend there to vote?—I really never was at one of the elections; I have always considered them merely forms.

2358. You never voted yourself?—Never.

2359. Are you a Bank stock proprietor?—Not at the present moment, but I generally am.

2360. Do you know anything about the system of election of the directors, of your own knowledge?—I do not, except that I have heard it discussed at the Bank meetings; and, therefore, I believe I know what the practice is.

2361. Mr. Glyn.] You see the House List every year?—Yes.

2362. Did you ever see an election of any one that was not in the House List?—Never.

2363. Mr. Alderman Thompson.] Did you never hear of any parties being put in nomination whose names were not contained in the House List?—I never heard of it.

2364. You are not aware that it has rarely occurred, but that other names have been introduced in the House List than those which originally appeared there?—I was not aware of it.

2365. Mr. Spooner.] At the commencement of your examination, you were asked some questions as to the alarm excited in consequence of the great railway payments in the year 1846; did you allude to the payment of calls, or to the payment of deposits into the Bank of England at that time?—The payment of deposits into the Bank of England.

2366. No.

2366. Not the general payment of calls throughout the country?—No; it was the payment of deposits into the Bank of England.

2367. You stated that there was some relief given upon that occasion; was that relief to the public or relief to the Bank?—I do not myself exactly know the way in which the Bank did make advances; I rather think they were allowed to make advances upon Exchequer bills and other securities, so that money that they received with the one hand, they could lend out temporarily with the other, which relieved the market.

2368. But that was at their own discretion entirely?—Yes; but at one time they said they should not do so; there were great doubts whether they would do so or not; but after that doubt had existed some little while, they did so, and that relieved the market.

2369. What, in your opinion, would have been the consequence if the letter which was written on the 23d of October had been longer delayed?—No man can tell what the consequence would have been.

2370. Will you just state in what way you think it would have operated?—I cannot say where it would have stopped; the panic might have gone on and on, till at last there might have been just that which was so much feared, namely, a run for gold. It might have gone on to that; I do not say that it would.

2371. You say it never entered into the idea of the London bankers that they would be under the necessity of drawing out their balances on the 23d of October?—I never heard such a thing suggested.

2372. Supposing this state of things, respecting which you say you cannot tell where it would have ended, had gone on, and supposing that the letter of the Government had not been issued, what is your opinion as to the possibility or the probability of those balances being drawn out?—Of course they might have been drawn out.

2373. Do not you think they would have been drawn out; would not the demands from the country have made it absolutely necessary?—I think very probably.

2374. At that time it appears from the returns that the private bankers of London had about 1,800,000 *l.* in the Bank of England, and that the bullion and the notes reserved, and everything together, were under 2,000,000 *l.*; now, what would have been the consequence if those private balances had been drawn out at that time; how would the Bank have been able to meet them?—I could not possibly say.

2375. From your knowledge of the Bank, can you suggest any way in which they could have met the demand; do you think they could have sold securities to enable them to meet it?—There would have been great difficulty in selling securities.

2376. Do you think they could possibly have sold enough to meet such an emergency?—I cannot tell.

2377. What is your own opinion, from your great practical knowledge of banking, supposing a couple of millions of securities had been brought into the market?—That is beyond my practice.

2378. What would be the effect of bringing a million and a half or 2,000,000 *l.* of securities into the market at once?—I cannot tell.

2379. Would they have found purchasers?—I cannot say; when persons are willing to make very great sacrifices, it is wonderful how it does bring out money; it is impossible to say what the effect of offering Consols at 10 per cent. lower than their value would be; I suppose it might have brought out money; there is a point at which hoards will come out.

2380. Mr. Hume.] Do you consider that the notices given by the Bank of England influence or regulate the country as regards the rate of interest to be charged for discounts?—I must only speak of London; it certainly affects the London market to a great degree; I may say principally.

2381. Does not, therefore, the circumstance of the Bank lowering their discounts to 3 or 2½ per cent. tend immediately to promote speculation and increase traffic?—It certainly does.

2382. Do you think that any class of men in the City of London should be entrusted with a power so important as that of raising or lowering the rate of interest for the whole community?—I think that 24 men may be found certainly

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fairly representing the capitalists and the monetary interests of the country, to whom such a power may be entrusted.

2383. Do you consider that the Bank directors, as now chosen, represent the capitalists and the interests of the country generally, or do they represent the interests of their own proprietors?—I do not think they represent the interests of the country generally.

2384. Do not you consider that the Bank directors appointed by the proprietors to manage their affairs ought to regulate their affairs to the greatest advantage of their proprietors?—No; in that position of public trust which they occupy as holding the public monies, and what are called private deposits, which are virtually the monies of the public, I do not think they are at liberty to consider only the interest of their proprietors.

2385. Are you aware that when the Act of 1844 passed, it was stated in Parliament that the object was twofold; first, to create a bank of issue, and secondly, to create a bank of deposit; and that the Bank directors should be at perfect liberty to act for their own interest, as the directors of any other bank would be?—I have often heard that stated; I remember bearing it stated at the time, but I think it was a very great mistake.

2386. You think that was not a good plan?—I think it was most unsound in principle; certainly it was acted upon by the Bank; I think they took those parties at their word.

2387. You as bankers have deposits on behalf of private individuals, and probably also public companies?—We have.

2388. Do you in the regulation of your discounts and in your other arrangements attend to the interests of those individuals, or to your own interests as bankers?—Of course we attend to our own interest first, but next to that we consider the welfare of our customers. I believe that, in truth, the interests of both in the long run are bound up together.

2389. Do not you consider that the Bank directors ought to attend to the interest of their proprietors, in the same manner as you would to your own interest?—No; because they are a public bank in a way and in a sense in which we are not.

2390. Where is the distinction, now that a separation has taken place between the two departments, and that the discount branch is separated entirely from the issue branch?—They hold a great many Government deposits.

2391. But they only hold the deposits of the Government in the same way as you hold deposits of various public companies; they may be greater in amount, but in principle are not they the same?—I think that the Bank are bankers to the public in a sense in which we are not; not only to a much larger amount, but that they occupy a position, evidently, that we do not occupy, involving a trust which does not devolve upon us.

2392. You consider that to be a trust different from what you, as bankers, have?—I think we have a right to do as we please, but I do not think the Bank has; if we pleased to withhold all accommodation, we should have a right to do so, but I do not think the Bank have that right.

2393. Do not you consider that the Bank, since the separation made by the Act of 1844, is as much a separate banking establishment as yours is, and that the directors ought to be at liberty to consult the interests of their proprietors?—I do not think they ought to feel themselves to be so.

2394. Do you consider that the directors can act in the double capacity of attending to the interests of the proprietors, and also attending to the public interests?—I think they may; I think they ought to consider that they have that double responsibility upon them.

2395. Do you think that they should sacrifice the interest of their proprietors, if they saw any public emergency or necessity arise for doing so?—Yes, I think they ought.

2396. To what extent?—It is difficult to draw a line; I cannot say to what extent; but I think they have a public duty to perform, and I rather think that the public duty is first.

2397. Do you consider that it is right that the directors should be called upon to make a sacrifice, if necessary, for the public interest, at the expense of their proprietors?—I think the existence of that double duty is not improper, and that it is not more than men ought to be called upon to fulfil.

2398. Supposing you had the power of defining it, can you state what limit you would set to the sacrifices which the directors ought to make, either for the public

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public interest or for that of the proprietors?—I cannot state any limit; I cannot go further than to state the general principle.

2399. Is not such an establishment, which affects the currency of the country, and by whose operations the value of all property is affected, more or less open to objection?—I do not think it is.

2400. You consider then that it is desirable to have such an establishment with undefined powers, leaving it at the option of the directors either to serve the public or to serve their own proprietors as they think fit?—Yes, I think so.

2401. You do not consider that it would be better to have no such establishment, and to leave it to individual bankers to carry on the business of banking?—I do not.

2402. You think that a national bank is requisite?—I think it very important.

2403. Do you consider that the present system of the Bank of England is the best that can be adopted for a national bank?—I think a change would be likely to be for the worse, rather than the better.

2404. Can you suggest any improvement in the present system, except that of choosing the directors in a different way?—No; I can suggest no other improvement; I dare say there is room for improvement, but no other has struck me except that in some way the directors should not be so exclusively of one class.

2405. Have you ever known the advertisements of the directors, with regard to the rate of interest, affect the value of stock and other property in London?—They always have that effect constantly when they alter their rate of discount; you read constantly in "The Times" money-article that the coming out of the Bank notice affected the price of stock.

2406. Then, do you think it right that any class of men or any few individuals should have the power of interfering with the value of the property of others in the way in which they do?—It must be trusted to their honour; and I believe that the Bank directors are a great deal too honourable a body of men to have tampered with the knowledge they possess.

2407. Do you find that honour has much to do with commercial transactions in buying and selling?—Yes, I do generally, to a considerable extent.

2408. Is not it a rule in London to sell in the highest market, and to buy in the cheapest?—I think there are many, and I may say most, of the merchants and bankers of London who would not take advantage of private knowledge for their own interests.

2409. The question refers to the public notice given by the Bank of the alterations from time to time of their rates of discount, which you say had a great effect upon the value of public stocks and other property; do you think that it should rest in the power of the Bank directors to affect the value of property in this way?—I did not quite understand the question before; I thought the question meant that it was in the power of the Bank Directors to act upon it before it was known to the public; but understanding the question now, I should say that I think they may be trusted with that power, particularly if their interest does not lie all one way; I think that where their interest lies all one way, it is scarcely fair to expect people to act quite impartially with a bias acting upon them; if they have all one bias, their judgments will be warped, and therefore I think they should not all have the same interest.

2410. Then, do you consider that the Bank directors, as at present chosen, have all one bias?—I think it has been the inclination of most of the Bank Directors to make money cheap.

2411. What, in your opinion, would be the effect, if the privileges which the Bank of England now enjoy were removed, and other banking establishments were allowed to act in London as they do in Edinburgh, without there being any peculiar privilege or monopoly whatever?—I think it would be a very dangerous experiment.

2412. Do you think it would be dangerous to abolish the privileges of the monopoly which the Bank of England enjoys with respect to circulation and other matters, by having their notes a legal tender, and having certain exclusive privileges within a circuit of so many miles?—I think it would be a great pity to introduce any parties upon the same footing as the Bank of England are; I think that it is best as it is, with respect to the Bank of England being our one great national bank.

2413. The monopoly they have, you think, should continue?—Yes.

2414. Although you admit that they have the power of raising or lowering

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the value of property as they may think proper to advertise their rate of discounts?—Yes.

2415. Do you consider that in any line of business parties can conduct their own business best, or that they can be benefited by any supervision from any other class; for example, do you consider that you can manage your banking concern better yourself than if you had the superintendence and direction of the Bank of England, or of any other parties?—The answer is obvious, that every man must think that he can manage his own business better than anybody else for him.

2416. Do you think that an Act of Parliament can direct any parties how to carry on their business better than they can carry it on themselves?—They have not the simple duty to perform of seeing to their own interest; I think that if the Bank had merely a single object in view to seek their own interest, as we have in the main, I should not wish them to be fettered; but they have a double duty.

2417. You would wish to be left at liberty from legal enactments to conduct your own business as you thought best?—Certainly, unless any legal enactments were in my favour.

2418. If the legal enactments were in your favour, you would accept the advantage, but you would not allow interference if it was against you?—Exactly so.

2419. Supposing you were a banker in Manchester, and exercised your discretion in discounting as you pleased to parties, and at what rate you thought fit, do you consider that an Act of Parliament interfering with your issues would be a good thing?—It might be a very good thing for the public, if I were disposed to over-trade, that I should be restrained by an Act of Parliament.

2420. Supposing you issued 10,000 £ in one pound notes or five pound notes, payable on demand, do you think it would be right that any Act of Parliament should prevent you, if you thought fit, making it 11,000 £ for a time, if you could employ them?—I think it might be for the good of the public.

2421. Are you of opinion that a banker in the country can issue and keep out any quantity of his own notes that he pleases?—No, of course he cannot now, he is restrained.

2422. The question is, whether he ought to be restrained; could a banker keep out any amount of his bank notes more than the wants of the commerce of the district required?—I think it is possible that he might; I think it is possible that parties might, under particular circumstances, take those notes beyond the amount which he ought to have out; of course he cannot keep them out if the people will not have them; but the people may be wrong.

2423. Can he keep them out if the people do not want them?—Certainly not, if the people will not have them.

2424. Then do you think that, as an individual conducting your own business, and exercising your own discretion, and knowing your customers, you should be prevented, by any interference of the Legislature, from issuing, as you find your business requires, any amount of your paper?—I think it may be a wholesome restraint for the benefit of the public.

2425. Do you consider that when the public want money for any legitimate purpose, their being prevented from getting it can be of benefit to the public?—But then the notes of a country banker are not necessarily money.

2426. If they pay a bill, and answer the purpose of Bank of England notes for the time, are not they money as much as Bank of England notes are money?—Perhaps, in the event, they may turn out not to be money; they are temporarily money.

2427. Do not they, for the time, answer every purpose that Bank of England notes would answer?—They may answer many purposes which Bank of England notes would answer; of course they are not a legal tender.

2428. Do you think that any one bank ought to have the right of having their notes a legal tender and others not, supposing the parties who issue the notes to lodge security against ultimate loss?—I think the present plan of one great bank having their notes a legal tender avoids great confusion.

2429. If you were a banker at Manchester, and issued 10,000 £ of notes, would you consider it necessary to keep any portion of gold to answer those notes if payable on demand?—Of course I should require to keep a certain reserve to answer them.

2430. Do

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2430. Do you consider that having the power of paying your own notes in Bank of England notes would induce you to keep less bullion than you otherwise would do?—Of course I should not require so much bullion if I had bank notes to pay with.

2431. Does not that tend to lessen the general quantity of bullion that would be kept by bankers in the country?—I should think it did; I should think that bankers in the country do not keep so much bullion as they would if they could not pay their notes in bank notes; but I do not know much about country bankers, except their transactions with us; I know nothing of the private working of country banks.

2432. But the making Bank of England notes a legal tender has a tendency to lessen the quantity of gold that would be kept by the country bankers?—It has.

2433. Will not that have the effect in a time of pressure, or of a great demand upon the Bank of England, of causing the quantity of bullion which they may have to be soon exhausted?—Parties take notes instead of taking gold; but then the gold is perhaps in the Bank of England; the gold would naturally find its way into the Bank of England.

2434. In the case of any alarm arising in the country, would not it render the demand for bullion much greater, and to a greater extent, than if each bank had been obliged to keep a reserve within itself?—I should not have thought so; but you are as good a judge of that as I am.

2435. Sir Robert Peel.] Do not you think that the issue of promissory paper constituting the circulation of the country is subject to different laws from ordinary mercantile transactions?—Certainly.

2436. If there ought to be no interference whatever with the issue of paper, would not it follow, upon that principle, that there would be no reason to demand any security from a person issuing paper?—If free trade is to be established, it must be carried all through, and there must be no legislative interference at all.

2437. In the case of an ordinary mercantile house, you do not require that house to enter into security; and there would be no reason, if there is to be an absence of all legislative interference with the issue of paper, why bankers should give security?—Certainly, the same principle would apply.

2438. And it would apply to the issue of notes of half-a-crown or a shilling?—Yes; if that principle is adopted, you must either open it entirely, or you must draw some line.

2439. But you think that the adoption of that principle—namely, the absence of all interference with the power of issuing promissory notes—would be injurious to the country?—I should be very sorry to see it tried.

2440. Have you any wish that there should be an alteration of the law with respect to the standard of value in this country, the gold standard?—It is not a question which I have much entered into.

2441. Are you decidedly in favour of the principle of convertibility; of requiring that the paper should be converted into coin at the will of the holder?—Yes.

2442. Do you think it desirable to make any alteration in the relative proportions of gold and silver, as they now enter into the currency?—It is not a subject which I have much considered.

2443. Mr. Cayley.] Would you say that the system that we have pursued for the last 30 years has been very successful as respects the standing of commercial houses?—I stated before, that very many of the largest merchants in London have failed within the last 20 years; there are many on a smaller scale who have carried and still carry on business successfully.

2444. Mr. Thornely.] You stated that there has been a great extent of failures in London last year; have you any knowledge what the dividend of those houses is likely to be?—They vary from 1 s. to 1 l.

2445. You think some will pay in full?—Yes; I am inspector to one important house which I believe will pay in full, and have a good surplus remaining.

2446. With respect to silver bullion, is there any difficulty in exporting it to the continent, where it is the currency of the continent, and getting back returns for it in a short time?—I am told that there is no difficulty, but that is a question of which I have not much personal knowledge.

2447. With respect to the bills of exchange in circulation last year, were they

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ordinarily of good quality, or were they of inferior quality generally speaking, and were a greater proportion than usual unpaid or renewed when due?—There were a great many unpaid bills last year.

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2448. *Chairman.*] YOU are a partner in the house of Barings?—I am.

2449. How long have you been in business in London?—About 30 years.

2450. Will you have the goodness to tell the Committee what you consider the state of trade was in 1846?—The state of trade generally was very prosperous; very active; every thing was selling, and merchants were making good profits.

2451. What do you consider to be the present state of things in the city?—Quite the reverse from what it was in 1846.

2452. During your recollection of business, have you ever seen a time when trade has been in a worse condition than it has been during the present year?—Never, nor do I recollect that I ever saw a time when the prospects were so alarming as at present.

2453. Do you remember any time in which the commercial interest has gone through more difficulties than it has done during the last year?—No; I do not recollect anything to be compared to it; I was here in 1825, but I was not sufficiently engaged in business to be able to judge.

2454. But you recollect well 1837 and 1839?—1837 I remember; that was local compared with what happened during the past year.

2455. That was confined a good deal to the American trade?—Yes.

2456. You spoke of the prospects being alarming; will you have the goodness to state the ground upon which you form that opinion?—In the actual state of things, the machinery by which the distant commerce of the country has been carried on is entirely broken up; the sugar colonies seem to be ruined; Canada is suffering; we have parted with a great portion of the foreign stocks held in this country; we have collected in all our debts that we could get, to pay the balance due last year; the modes of carrying on commerce have been changed, which makes also a difference, and there will be more to draw for from Russia and America in the coming year than in the past year; we shall have a gradually diminishing supply of colonial sugar, and an increasing supply of foreign slave-grown sugar; and with all that we shall have to encounter free trade in corn after the end of the year.

2457. You mentioned foreign stocks; can you give the Committee any estimate of the amount of foreign stocks that have gone out during the last year or two?—I should think that is impossible; it must be very much matter of guess.

2458. Can you give any guess?—I cannot; I think, from inquiries I have made, that a great many foreign and continental stocks, such as Danish and Russian, have been repurchased from this country during the last few years; Dutch stock has also been repurchased, and Belgian stock.

2459. When you say "lately," how long do you carry that back?—I think that the system of repurchasing loans has been going on to a considerable extent every year for 10 years past; it has formed a part of the funds affecting the balance of trade.

2460. Do you think that in the year or two preceding their distresses, that has at all arisen from the practice of investing the funds in railways, with a view of getting a higher rate of interest?—I should think to a certain extent that has been influential. The condition of those countries that made the loans has probably improved and enabled the people preferring their own stocks to buy them back gradually.

2461. You stated that the modes of carrying on foreign trade were altered; you mentioned Russia; will you explain what you allude to?—The ordinary practice has been to purchase in the winter on contract, and pay a part, a half, a third, or two-thirds of the money down, according as the English merchant could best bargain; this year, owing to the want of confidence and the impossibility of passing drafts, which would have been passed but for that want of confidence, this business has not been done. The consequence has been that a good deal of gold has come from Russia, and next year there will be all that surplus, which, I dare say, may amount to a million and a half, to be drawn, more than was drawn in the past year; it is the same with reference to America

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from the interruption to the shipment of cotton; in October, November and December, before the cotton crop comes in, it has been the practice to draw at a high rate of exchange to provide funds for advances or for purchases. This year, owing to the want of confidence, nobody would take bills; the consequence has been that gold has come, and there will be all the cotton crop to be drawn for when it does come; that makes a considerable difference. If the other course had been adopted, there would, I conceive, be much less gold in the Bank than there is now, to the extent of 2,000,000 *l.* or 3,000,000 *l.*

2462. You think that will be drawn out in the course of the spring?—I should doubt whether it will all be drawn out; 600,000 *l.* depends, I believe, on the Emperor of Russia, who is understood to have remitted that amount of gold.

2463. Will you have the goodness to state what you consider to have been the immediate cause of the difficulties in April 1847?—The panic of April, I conceive, was brought on by the Bank being called upon to advance heavily on deficiency bills; the Bank authorities could have done this without producing a panic, but for the necessity of publication, which would have shown the reserve of notes to be almost nothing; that is my view of it; I cannot say that I am correct; but it is believed that their loans would have come in, in the course of two or three days; and after all, the advances to the Government do not go out of the Bank, at least not immediately; all would have gone right but for the necessity of publication; the Bank was thus compelled to borrow on the Stock Exchange, and stop suddenly its advances on securities; this gave the first general intimation to the commercial community of the altered power of the Bank, and the panic ensued; it would have been entirely prevented, however, had the Chancellor of the Exchequer allowed the contractors of the loan the usual privilege of paying up under discount; this he emphatically refused, saying, "that he only wanted the loan as the instalments fell due."

2464. How would that have obviated the difficulty?—Of course, when persons take a loan, they prepare for it by selling stock; if they had been allowed to pay up on discount, they would only have had to deliver stock, and to get the money; it would have gone directly into the Treasury as fast as it could be turned over, and there would have been no want of funds on the part of the Chancellor of the Exchequer.

2465. You mean that he would not have wanted deficiency bills?—He would not; in fact, he had the money at his command, if he would have allowed it to be paid up.

2466. What is the mode in which the Bank met the demand for deficiency bills?—I cannot know anything of that but by public report; but the general impression was, that the Bank borrowed on the Stock Exchange to a considerable amount; that gave alarm on the Stock Exchange; so that, in addition to the loan, there was added this greater or less sum; some say a million and a half, some say 1,000,000 *l.* and that produced a fall upon the Stock Exchange; when the Bank notified the stoppage of loans on securities, then the fright commenced.

2467. To what causes do you attribute the difficulties of the country in 1847?—I think it was a combination of causes; the alterations in the tariff, allowing the importation of so many articles free of duty, acted upon by an immense internal expenditure, stimulating importations, to which may be added the failure of the potato crop in Ireland; these were all aggravated by the stringent clauses of the Bank charter.

2468. Do you believe, then, that if there had been no failure of the potato crop in Ireland, still the year 1847 would have been a year of difficulty?—I do not think it would; if the corn law had been in force, I do not see how it could have occurred; because, however great the internal expenditure stimulating consumption, if it was in home-grown corn the price would rise, and the country would receive all the advantage; but when it goes to foreigners, it entirely alters the case.

2469. Do you consider that even if the harvest of 1846 had been a good harvest, yet if the commercial policy had been followed which has been followed, and the corn laws had been repealed, the country would have experienced difficulty?—I think it would; I have no doubt of that; I always considered that the great alterations made in the tariff must lead to a commercial convulsion sooner

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or later; but it has been hastened, certainly, by the failure of the potato crop and by the enormous internal expenditure.

2470. Do you attribute much of the difficulties to the railway expenditure?—Undoubtedly to the railway expenditure, acting upon the free importation of various articles.

2471. How has that acted so as to produce any of the difficulties of 1847?—It has acted to augment the importations, and thus, by affecting the balance of trade, it has caused the exportation of gold, the contraction of the currency, and all the distress which has followed.

2472. It has, in your opinion, aggravated the evil which would otherwise have arisen from the tariff being reduced?—It has accelerated it; it has produced that in 1847 which would have come gradually, perhaps, in 1849.

2473. You have stated that you thought that the operation of the Act of 1844 has aggravated the difficulties; will you have the goodness to point out to the Committee in what way it has acted?—It has acted in this way; I think the commercial public were not aware, although perhaps they should have been, that the power of the Bank by this Act was very much reduced; and as I remarked in a previous answer, it was not till April 1847 that there was what I should call public notice that the power of the Bank was limited; the public had never seen anything like the Bank going to borrow, and then every one said, "The Bank has no power," and began to examine more closely, and fright ensued; but it was very soon allayed then, because there was no real cause of panic at that time.

2474. Do you believe that the pressure in April 1847 would have arisen, supposing that the Act of 1844 had not been in operation?—It would not, in my opinion, have arisen but for the publication clause; the Bank would have given accommodation without any difficulty.

2475. You are against the publication of the accounts of the Bank?—I think that in the present form it operates injuriously.

2476. You think it is injurious to the general interests of trade?—I think that those out of doors draw improper inferences from it; that the publication might, for example, show a very small amount of notes in the reserve, while the directors of the Bank might be quite certain that there was enough.

2477. Then would you have no publication of the accounts of the Bank?—I suppose now the public have become used to it; it is necessary to have some publication; but I think that once in three months is enough.

2478. Do not you think that if the public had not those accounts laid before them they would be apt to form surmises which might be even more mischievous than a knowledge of the real state of the case?—Now that they have been accustomed to the publication, if you take it away, they may think there is something wrong; but I should think that by degrees you might coax them to be satisfied with the publication once in three months. I do not pretend to be very well versed in these matters of the Bank, for I have not time to become so; but it is very clear to my mind that this constant publication produces injury; whether it should be three months or six months, or how often, or whether it should be to the Government only, not to the public, with a report to the public, similar to that of the Bank of France, once a year, I cannot pretend to say; but certainly the present publication does no good.

2479. You think that it creates alarm in the public mind unnecessarily?—It creates unnecessary alarm; because there must be a liability to great fluctuations in the amount in the management of the Bank, in a great commercial country like this; it is very different from the Bank of France, where everything is tranquil, and there are not those large operations going on; but there may be moments when it may be clear to the directors that they should put out money, but when under the publication they cannot do so without creating alarm.

2480. During the summer of 1847 the pressure had ceased to act; about what time did you begin to feel it in the autumn?—I think all alarm and fear were stopped the moment the Chancellor of the Exchequer's letter was published, but as the consequences of the panic, ruin was showing itself from time to time, and it is probably not yet over.

2481. You do not consider it over yet?—I should think not; things are not yet settled.

2482. A great

2482. A great number of mercantile houses failed, but solvent houses that continued their business experienced very great losses did they not?—Undoubtedly, there have been very great losses to those who have not failed, but to many of those who have failed, the losses were very great; I think you may classify the failures.

2483. In what way?—I think there were some who ought to have failed, and some who were ruined by Act of Parliament, and some who failed by reason of the crisis.

2484. Those who ought to have failed, had over-traded beyond their means?—Yes; they had not sufficient means, and that will be the case always, to a certain extent, in every community.

2485. What do you mean by failing by Act of Parliament?—I refer to those who had sugar estates; they were ruined by the Sugar Bill.

2486. You mean by the change of the law with regard to the introduction of sugar?—Yes; then the people engaged in the importation of corn were ruined by Government, I think; in the first place, in 1845, when there was a want of corn, it was ordered secretly to be bought; there was no delusion anywhere, and a small quantity sufficed; but in 1846, the Government, no doubt from the best motive, thought it was improper to interfere with commerce, and in order not to interfere with it, they ruined it; they bought here, which raised the prices very much; they bought secretly, I suppose; the corn-factors, taking this for a natural demand, sent orders in every direction and when they got their corn over they found that they were selling in competition with the Government, and the very high prices were in part produced by the Government purchases. I examined several of the corn-factors' estates, and they did not appear to me to have over-traded. I know two, more particularly, where there was a capital of 60,000 *l.*, and it did not appear that they had bought more than 120,000 *l.* or 130,000 *l.* of corn; they were utterly ruined from the importation being so great, in consequence of the exaggerated notion of the want there was for corn here; and the raising of the prices by the Government purchasing at home, contributed very much to delude the corn-dealers; but I think, in general, with reference to the bankruptcies, it will be found on examination that the dividends are much greater than usual, and there are fewer instances of dishonourable conduct, and that most of the bankrupts have wound up their estates under inspection, which shows what the commercial community think of them; and I think it is creditable to them that the dividends are so large, many paying in full.

2487. Do you consider that there was any considerable over-trading in the year 1846?—That the country over-traded is very clear, but that commercial men individually over-traded would seem not to be the case, for there was no very large stock of goods on hand; on the contrary, the stock of goods was rather small, and I suppose, over-trading means getting more goods than one can sell; on the contrary, everything sold very briskly.

2488. Will you state what you mean by the country over-trading?—A large amount of goods was brought into this country, which the great internal expenditure enabled this country to consume; and in order to pay for those goods abroad, a large exportation of gold was required; what I mean to say is, that there was more brought into the country than the country could conveniently pay for.

2489. What do you consider to be the prospects of trade for the year coming?—I consider them to be very gloomy indeed in every way.

2490. What do you consider the prospects of trade with America?—I am led to suppose that the Americans will take fewer goods this year than they took in the last year; indeed, they are rather pinched for money there, owing to the Mexican war.

2491. During the difficulties of the last year, what is your opinion as to the conduct of the Bank, independently of the restrictions imposed upon it by the Act of 1844?—I have no doubt that the Bank directors did everything that they could do; they endeavoured to do for the best. I do not think there is any cause to complain of the Bank directors.

2492. Do you think that they raised the rate of interest early enough at the commencement of 1847?—I do not think I am competent to answer that question;

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tion; it requires more knowledge of the matter than I, having my own concerns to take care of, have been able to give; but I should infer, from the standing and character of the gentlemen who composed the direction, that they would not have erred in that respect.

2493. Have you confidence then in the discretion of the Bank generally?—I have great confidence in the discretion of the Bank directors if left to themselves; I think it is much better that the whole thing should be left to the discretion of the human intellect, rather than to the machinery now established.

2494. Do you mean that, with reference to the Act of 1844, your opinion would be that it would be better to leave the amount of circulation to the discretion of the Bank, than to attempt to regulate it by any enactments?—I do; but I think what is wanted is, to make the Bank more a national institution; that it should have duties to perform, which, if I understand the present Act, they are not expected to perform—that is, to regulate the currency of the country; and that they should make sacrifices rather than that the commercial interests should suffer, just as the Bank of France has done; and they have got very much better out of the crisis than we have here; they have never demanded usurious interest, or refused to discount. On the contrary, they have kept the level of discount up, but they have taken measures to stop the drain of silver. No doubt they have made great sacrifices; whereas here, I believe, the Bank of England lent stock, and allowed the buyer to make the sacrifices; which I do not think is the right way in this great commercial country.

2495. You would place in the Bank the control over the circulation of the country?—I would.

2496. With regard to the limit which is now imposed by the Act of 1844, would you remove that entirely?—I should take that away entirely.

2497. And leave it entirely at the discretion of the Bank direction?—I think the present system does not take into view circumstances which vary, and that it is impossible to carry it out without doing great harm to the commerce of the country.

2498. If, to use your own expression, the Bank is to be the mind that governs the circulation, would you be satisfied with the present constitution of the Bank, or would you propose to alter it by introducing any other elements?—One case of a permanent Governor of a bank which I remember, is rather against it. In France they certainly manage to keep things more steady than they are here; but then it is a very different thing to manage the Bank in France, and to manage the Bank in a country like this, where there is great commerce; the amount of commerce to be turned by the Bank of France, as compared to the amount to be turned by the Bank of England, is a mere trifle; I should be entirely satisfied to leave it with the directors.

2499. As at present constituted?—As at present constituted; I have no doubt they would manage it satisfactorily.

2500. Will you have the goodness to state your opinion with regard to silver; do you think that any alteration should be made as to the amount of notes that may be issued on silver?—I think that that should be left also to the discretion of the directors of the Bank; it works now very absurdly.

2501. Will you point out how it works now?—Supposing to-day the Bank have its proportion of gold and silver according to the Act, and somebody should call for 400,000 sovereigns, the Bank has to go out immediately, and sell 100,000 l. of silver, to make itself right according to the law.

2502. *Mr. Alderman Thompson.*] Or they must export bullion?—Yes; you may export bullion if you like; but at any rate, you take in so many notes; therefore it counteracts the other part of the Act; it reduces the notes instead of 400,000 l. by 500,000 l.

2503. *Chairman.*] Do I understand you to say that you would make any alteration in regard to the convertibility of the note; do you mean that you would give silver instead of gold for the note?—By no means; the only convenience is that silver answers every purpose to supply foreign demand for coin that gold does; it is better, and therefore it matters not to the Bank whether it has a third or half in silver.

2504. Without

2504. Without altering at all the convertibility of the note into gold, you would allow the Bank to keep either gold or silver in its coffers?—Yes; I would leave it to the discretion of the directors.

2505. How would you make the return in that case; would you make the return distinguishing gold and silver, or would you put them together?—I should put them together, for it is the same in fact; and if you were to return them separately, and the gold were to run rather low, the public would perhaps take alarm.

2506. You have objected to the publication of weekly accounts as they at present stand; have you any objection to the publication, as regards the issue department as well as the banking department?—The weekly publications I object to; I think they are too frequent.

2507. Supposing the Bank found it necessary to curtail their accommodation, in what mode would you propose that that accommodation should be curtailed; would it be by raising the amount of interest, or by any other mode?—That is a debated question; my impression is, that it should be by shortening the time; I think the Bank never ought to be allowed to charge an interest of above 5 or 6 per cent., but that when they get to that they should shorten the time, instead of raising the interest higher, to two months, to one month or 10 days, if it comes to be necessary.

2508. That is the course, I believe, adopted by the Bank of France?—I am not aware of that.

2509. Is it your general impression, from your knowledge of business, that the affairs of the Bank of France are better conducted than the affairs of the Bank of England?—It is impossible to say whether they are better conducted, but as I remarked just now, the Bank of France have got through the crisis of 1847 better than we have done here, they have made sacrifices; but whether it is fair to compare the management of the Bank of France in a quiet country, having but little foreign commerce, with the management of the Bank of England, with our extensive commerce, I should doubt. I have not read the report of the Bank of France, I have merely glanced at it; but I see that the number of bills is great and their amount is exceedingly small, and that bills of 10 £. are discounted by them, which shows that it is the small commerce of Paris which applies there for discounts; it is, I should say, quite a different business from that which is transacted by the Bank of England.

2510. Then you draw no conclusion that the affairs of the Bank of France are better conducted than the affairs of the Bank of England?—My impression is that they are not, but I have not read their report, and therefore perhaps I ought not to speak upon it at all.

2511. Mr. Alderman Thompson.] Is it your opinion that but for the restrictive enactments in the Act of 1844, the Bank might have given all requisite relief to the commercial interests in the year 1847, without occasioning that great alarm and that want of confidence and great scarcity of money which were experienced by the commercial community?—I think they might; I think it will be seen that the exchanges after the beginning of May were such as would have restored confidence, but for the conviction on the minds of commercial men of the limited power of the Bank.

2512. Do you think that the plan of raising the rate of discount, as the reserve in the banking department of the Bank of England decreases, is a certain and safe mode of protecting the amount of that reserve from further reduction?—I think not; I think there may be such distress as to compel men to pay even 50 per cent. for the sake of getting money to save their credit.

2513. During the month of October, does not your experience enable you to say that the higher the rate of interest was raised, the greater became the discredit, panic, and alarm throughout the commercial world, and the greater the difficulty of procuring bank notes at any rate of interest?—Certainly, it was so.

2514. Therefore, probably, that is one reason why you think it unwise for the Bank of England to publish the weekly statements of the reserves on the banking account, because it may lead to the publishing of a small reserve, when the directors themselves know that within a few days they will receive a considerable

Joshua Bates, Esq. accession to that reserve by the repayment of temporary loans and other means?
 —Precisely.

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2515. Therefore your opinion is, that the weekly publications do not give such full and sufficient accounts as to be adequate data for the public to frame their transactions upon?—No; and I might add, with reference to the index in the issue department, it takes no notice of circumstances; now, at the present moment, there is every appearance to the public that the Bank ought to lend to everybody; that they ought to lend 5,000,000*l.* or 6,000,000*l.* of money; but when you look at the condition of the country, putting aside political considerations, and also look at the sums which, as I have said, are liable to be drawn out, but which have not been drawn by reason of discredit, and the now very much lessened power to sell stocks abroad to meet any deficiencies, since the stocks will not sell, it would be very unwise on the part of the Bank to lend money, and to make money plentiful, and encourage consumption, and thereby turn the balance of trade still more against us; therefore, I say, the publication in its present form misleads people.

2516. The low rate of interest out of doors shows that the circulation is as full as the wants of commerce demand?—Yes, it does.

2517. By the last publication of the banking department of the Bank of England, I believe there was upwards of 10,000,000*l.* upon that reserve; do you think it possible that the Bank of England could lend out three or four or five millions, the excess which they would have to spare, keeping the requisite reserve, upon securities of a limited date, and if at any rate of interest, at what rate of interest would you think they might do that?—I do not think that immediately it could be lent; but if offered from day to day, for 20 or 30 days, a conviction might be created that there was to be a continued shundance of money; people might say "We may as well not hold back any longer," and evil consequences would follow.

2518. You remember, of course, the 25th of October, when the Government letter was sent to the Bank; what effect had that letter upon public confidence?—It set everything right at once; there was plenty of money immediately afterwards.

2519. Confidence was immediately restored?—Yes, it was.

2520. Do you think it was wise or otherwise for the Government to fix the minimum rate of interest at 8 per cent.?—I do not think it was wise; I think they should have left it to the Bank to fix it.

2521. Do you think that that rate was higher than the circumstances at the time warranted?—I think 8 per cent. was too high; 6 per cent. would have been high enough.

2522. *Sir William Clay.* Was the rate of interest higher before or afterwards?—It is difficult to say, for there were all rates paid; but my impression is, that it was an unwise act of the Government fixing that rate.

2523. But is it in your recollection whether the market rate of interest was higher after or before that letter?—I should say that it was higher after the letter; I think the fixing that 8 per cent. in some degree counteracted the effect of the letter; but still, that the Government would interfere at all, was deemed satisfactory.

2524. *Mr. Alderman Thompson.* During your long experience of the commerce of this country, and of the several panics that we have had, do you ever recollect, except in one instance, the Bank charging more than 6 per cent.?—I do not.

2525. *Sir William Clay.* You said that the rate of interest was higher after that letter was written than before?—It so happened that it was.

2526. You also answered a question of Mr. Alderman Thompson, that the higher rate of interest tended to increase the panic that existed; that is not in accordance with the fact, that the issuing of that letter, though accompanied with the recommendation, as regards the rate of interest, wholly relieved the panic?—The letter wholly relieved the panic; but the high rate of interest with which it was accompanied, had an effect the other way; the panic was relieved, because it was clear that Government had been induced to act, but otherwise

otherwise their fixing that high rate of interest, I think, was impolitic, and the rate of interest out of doors rather increased upon that.

2527. Still it did not tend to increase the panic, inasmuch as coincidentally with the high rate of interest recommended in that letter, there was perfect ease produced in the money market?—If you speak of the effect of the letter, it would be so; but the advance of the rate of interest by the Bank had an effect the other way; it was considered as a sort of index of the rate of interest to be charged out of doors.

2528. Mr. Hudson.] It was a question at that time, not of the rate of interest, but of obtaining money at all?—Undoubtedly.

2529. The letter had the effect for a day or two of lowering the rate of interest in London on the Stock Exchange?—It had.

2530. But in the country it had the effect of raising it generally, had it not?—I was not aware of that.

2531. You spoke about railways having had some effect on the panic; supposing we had had no deficient harvest and no deficient potato crop, and a law prohibiting the import of corn when the price was below a certain point; in that case do you think that the spending of so much money in railways would have had an injurious effect on the country?—I have endeavoured to state that it ought not to have had that effect; but I am afraid that I have not made my meaning very clear.

2532. Mr. Cayley.] Do you remember statements having been made, that the panic had been caused by so much of the floating capital of the country being absorbed in railways?—Yes.

2533. Are you a believer in that doctrine?—It is a difficult question to answer.

2534. Will you describe the process that floating capital embarked in railways undergoes?—I may describe it in this way: suppose that there was no foreign trade, and that the community were all well employed in supplying each others' wants, and that a mania for railways were to spring up, what would be the consequence; the consequence would be, that as regards all the labour taken from other employments to be employed upon railways, you would lessen the production of other commodities; the prices of those commodities would rise, and a part of the money paid away for railways would be caught up by the rest of the community in the shape of an additional price on those commodities; we will suppose the cost of a railway to be ten, that two go for land, which is a mere exchange of property, and that one goes for Parliamentary expenses, the rest for labour; Parliamentary expenses are labour also; eight parts out of the ten, therefore, are for labour; the question then would be, how much of those eight parts which are all spent in the shape of labour is sunk, or how much is regained?

2535. How much of those eight parts out of ten would you say was lost, or what is called fixed?—I am rather dubious about the end of it, but my impression is, that six out of ten would be fixed capital; but I think it is rather too loose an estimate to rely upon.

2536. But with regard to the capital that is employed in labour, which the railway proprietors pay to the labourers, and to the different tradesmen and artisans who make the railway, will you describe how that is fixed in the railway?—All that is not got back by the extra price paid for the other commodities is fixed.

2537. That which goes to land, you say, is a transfer from one party to another?—Yes.

2538. With regard to that which is paid to the labourer, whom does he transfer it to?—He pays it to the other members of the community, and they demand a higher price for a diminished quantity of goods.

2539. Where does that money eventually go, that goes in the first instance to the labourer and tradesmen; does it not return to the bankers in course of time?—It does; and in that state of things I do not see that the railways would make much difference.

2540. Then it does not diminish the floating capital?—Yes, it does.

Joshua Bates, sq.

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2541. The floating capital being that which is paid for land, and that which is paid for labour, if it merely goes a certain circuit, returning to the money centre at last, how is that floating capital diminished by that operation?—It does not all return; it is only the difference between ordinary prices and the extra prices that is returned.

2542. Would you describe the making of a railway otherwise than this, that a person who spends his money in a railway, exchanges that money with the makers of the railway, who leave him the railway in exchange; is it not a mere transfer of money from the person wanting the railway to the parties who make it?—I am afraid that some portion of it, after all, must come to be fixed capital; but it would not disturb the general concerns of the country so much.

2543. Does it lessen the amount of currency in the country?—I do not see that it would do so in the slightest degree; but it absorbs to a certain extent the floating capital, and makes it fixed.

2544. You were understood to state that the commercial prospects of the coming year are somewhat gloomy; and you said that one of those gloomy prospects was, that at the end of the year we had to encounter free trade in corn; will you state why you consider that to be so alarming?—I consider it to be alarming from the immense production abroad, and I have brought one or two papers here to show that. This is a "Statement showing the Quantity of several Articles of Produce received at Tidewater, on the Hudson River, through the New York Canals, during the years 1846 and 1847, and the Value thereof."

[The Witness delivered in the same, which is as follows:]

STATEMENT, showing the Quantity of several ARTICLES of PRODUCE received at Tidewater, on the Hudson River, through the New York Canals, during the Years 1846 and 1847, and the Value thereof.

	1846.	Value.	1847.	Value.
		\$.		\$.
Ashes - - - - - brls.	48,812	1,074,004	37,338	1,135,239
Pork - - - - - "	23,003	800,925	76,179	1,104,573
Beef - - - - - "	45,600	354,000	71,265	712,304
Bacon - - - - - pds.	4,509,000	290,037	4,005,000	416,738
Cheese - - - - - "	34,000,000	2,844,587	40,844,000	2,860,354
Butter - - - - - "	21,477,637	3,220,603	22,724,000	3,408,761
Lard - - - - - "	6,721,000	498,810	4,348,000	434,780
Wool - - - - - "	8,866,278	2,571,415	12,044,000	3,559,463
Flour - - - - - brls.	3,063,441	15,470,271	3,952,972	27,007,087
Wheat - - - - - bushels.	2,950,736	3,358,141	4,148,830	6,832,501
Rye - - - - - "	321,739	251,394	295,119	230,869
Corn - - - - - "	1,610,149	1,120,854	6,863,848	6,170,970
Barley - - - - - "	1,427,983	813,933	1,923,920	1,279,337
Other Grain - - - - - "	1,920,800	710,474	2,940,052	987,567
Beans and Ship Stuffs - - - - - "	1,463,432	220,181	2,992,681	223,117
Clover and Grass Seeds - pds.	1,094,000	76,698	3,208,000	231,518
Pig Iron - - - - - "	10,574,740	182,674	21,608,000	340,426
Bloom and Bar Iron - - - - - "	10,892,243	362,322	26,348,000	660,886
Iron Ware - - - - - "	1,219,691	43,839	3,514,900	123,868
Mineral Coal - - - - - "	18,446,600	47,116	82,580,000	81,453
		34,325,619		55,639,381

There is one other Paper I put in, which shows the exportation of grain from Russia in 1846 to have been 5,510,853 chetwerts (100 chetwerts make 72 quarters), and in 1847, 10,582,036 chetwerts.

[The Witness delivered in the same:]

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The Exportation of all descriptions of Corn from Russia, in the year 1846, which was a very favourable one for the corn-trade, amounted to 5,510,853 chetverts, which quantity was thus divided:

			Chetverts.
Exported from the Northern ports of Russia	-	-	1,756,826
" Southern "	-	-	3,679,515
" Land frontier and the Niemen	-	-	974,712
TOTAL	-	-	5,510,853

The following TABLE will show in what proportion this Exportation increased in 1847.

EXPORTATION from the Northern Ports of Russia in 1847, in Chetverts.

	Wheat.	Rye.	Barley.	Oats.	Oatmeal.	Flour.
From St. Petersburg	565,004	687,506	-	380,662	-	450,800
" Riga -	95,984	696,811	64,608	557,545	-	-
" Archangel -	93,608	340,109	27,086	455,636	26,454	30,576
" Pernau -	-	30,832	12,268	7,819	-	-
	585,596	1,754,568	104,484	1,400,662	26,454	481,376

Or a Total of 4,470,815 Chetverts, of different sorts of Grain.

EXPORTATION from the Southern Ports of Russia, in 1847, in Chetverts.

	Wheat.	Rye.	Barley.	Oats.	Indian Corn.	Flour.
Odesa -	3,766,183	335,676	23,806	22,481	38,070	28,610
Tarasov -	600,237	17,032	1,500	-	-	440
Rostoff -	328,700	20,455	-	-	-	-
Marionpol -	466,962	-	-	-	-	-
Berdianski -	474,949	33,575	6,300	-	-	-
Kertak -	12,254	-	-	-	-	230
Theodosia -	71,600	-	-	-	-	-
Eupatorie -	60,438	88,800	60,603	-	-	-
	5,040,910	493,528	60,738	22,481	38,070	29,280

Making a Total of - - - - - Chetverts.
5,073,721

Add to this the Export from the Port of Ismail, not yet known, (approximate Amount compared with 1846) 120,000

TOTAL from the Southern Ports - - - 5,208,721

Consequently, the Total Export of Grain from Russia, has been as follows:-

	Chetverts.
From the Northern Ports	4,470,815
" Southern "	5,208,721
" Land frontier and Niemen (approximate Amount)	300,000
TOTAL	10,080,336

So that, in comparison with 1846, the exportation doubled itself, and in 1847 the Southern Ports alone exported more than the whole of Russia in 1846.

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2545. Why will that large importation of provisions injuriously affect this country?—It will create an unfavourable balance of trade, and lower the price of wheat here, and produce agricultural distress, in my opinion; for although prices may fall very low, still it will come; as it exists, it must seek a market.

2546. How will that low price of provisions injuriously affect the productive interests of this country?—The low price of provisions will not affect injuriously the interests of this country; but the cramped state of circulation which will be caused by the unfavourable balance of trade, in order to maintain the convertibility of the bank note, will keep trade in a straitened state so long as it lasts.

2547. If trade is reduced to a straitened state in consequence of the importation of provisions turning the exchange against us, how will the working classes be employed?—It is generally supposed that exportation will be forced by this straitened state of the currency; but I think that it should be borne in mind that this country represents by far the greater portion of the commerce of the world, and that you cannot lower prices here in the expectation that immediately, or in any very short time, you are going to augment your exports. If you lower the prices of commodities here, you lower them all over the world; and it will only be when the prices get to the very lowest point that you can have much relief by increased exportation.

2548. Do you think that when prices were reduced to that low ebb, trade would be a profitable speculation?—It might be; it depends upon circumstances. It is difficult to say; but very much depends on the condition of various countries to consume.

2549. Do you think the present rate of taxation could be paid under that low state of prices?—Yes, I should see no difficulty in meeting the taxes.

2550. What do you consider would be the effect upon our agriculture of that low state of prices which you anticipate?—There will be great distress, unquestionably.

2551. Could the same taxation be paid with that state of distress as before?—For a time undoubtedly it could.

2552. What do you conceive will be the effect if our free trade legislation continues?—I think it would contract very much the commerce of the country, but eventually it would adjust itself to the diminished wealth of the country.

2553. Would you consider that under that state of things we should be a less wealthy nation?—A less powerful nation than before, and less wealthy.

2554. Would you describe the change in this way, that whereas all nations used to be dependent on England, England would henceforward be dependent on all nations?—I think it looks very much in that way; that is to say, instead of having a balance constantly flowing to her, by which everything has been kept easy here, she would have to guard constantly against letting out her currency, in order to keep sufficient gold in the country to meet the bank notes.

2555. You conceive that free trade would tend to increase the embarrassments of the exchange as against this country?—I do not say free trade, because I am rather an advocate for free trade; but free trade, without reciprocity, would do that; the mere permission to import everything into this country, without reciprocity, is not free trade, in my view of it.

2556. Is the balance of trade, at the present moment, legitimately in our favour?—I should say not.

2557. Will you state why you entertain that opinion?—I have already answered that, I think, in stating the position of trade in Russia and in the United States; the sums that have not been drawn, as they usually have been drawn, and which will have to be drawn later in the season, I think, will show that the balance of trade will be, though not to a very great extent, against this country.

2558. You think that the importation of gold has been rather a forced operation from discredit?—Yes.

2559. Can you give any information as to the export of gold from this country to the United States, between the 30th of April and the 31st of October 1847?—I have a "Statement of the Quantity of Gold exported to the United States between 30th of April and 31st of October 1847, from the Port of Liverpool;" the amount is 592,933 l.

[*The Witness delivered in the Paper, which is as follows:*]

STATEMENT

STATEMENT of the Quantity of Gold Exported to the United States, between the 20th April and 31st October 1847, from the Port of Liverpool.

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STEAMER.										L.		s.	d.
4 May	-	-	-	-	-	-	-	-	-	148,998	16	4	
19 "	-	-	-	-	-	-	-	-	-	189,546	12	8	
4 June	-	-	-	-	-	-	-	-	-	20,368	17	-	
19 "	-	-	-	-	-	-	-	-	-	16,814	9	6	
4 July	-	-	-	-	-	-	-	-	-	53,852	17	4	
20 "	-	-	-	-	-	-	-	-	-	13,446	8	6	
4 August	-	-	-	-	-	-	-	-	-	71,366	17	11	
19 "	-	-	-	-	-	-	-	-	-	41,109	15	-	
4 September	-	-	-	-	-	-	-	-	-	19,302	15	10	
19 "	-	-	-	-	-	-	-	-	-	6,381	-	-	
5 October	-	-	-	-	-	-	-	-	-	4,438	-	-	
19 "	-	-	-	-	-	-	-	-	-	6,827	-	-	
TOTAL										592,933	0	1	

N.B.—By Sailing Packets and other vessels the shipments had almost ceased prior to the 30th April; the whole amount they took in the same period being under £. 20,000.

2560. Are you well acquainted with the United States?—I am.

2561. Are you a native of the United States?—I am.

2562. Can you give the Committee any statement of the rates of exchange in London, ruling in New York, from January 5th to 29th October 1847?—Here is a list of them.

[The Witness delivered in the same, which is as follows:]

RATE OF EXCHANGE at New York on London at the following Periods: 1847.

January	5	-	-	-	105½ s' 105½	May	14	-	-	-	108½ s' 107½
	20	-	-	-	105½ s' 106		29	-	-	-	107½ s' 107½
	30	-	-	-	106 s' 106½	June	14	-	-	-	108½ s' 108½
February	8	-	-	-	105½ s' 106		29	-	-	-	108 s' 108½
	12	-	-	-	105½ s' 106	July	7	-	-	-	108½ s' 108½
	24	-	-	-	105½ s' 106		14	-	-	-	108½ s' 108½
	27	-	-	-	106 s' 106		31	-	-	-	108½ s' 108½
March	5	-	-	-	106 s' 106½	August	6	-	-	-	108 s' 108½
	8	-	-	-	106 s' 106½		13	-	-	-	106½ s' 106½
	19	-	-	-	104 s' 104½		27	-	-	-	108 s' 106½
	31	-	-	-	104½ s' 105	Sept.	14	-	-	-	108½ s' 109
April	7	-	-	-	104½ s' 105		29	-	-	-	108½ s' 109
	15	-	-	-	105 s' 105½	October	6	-	-	-	109 s' 109½
	16	-	-	-	105½ s' 106		14	-	-	-	109 s' 109½
	29	-	-	-	106½		29	-	-	-	109 s' 109½

2563. At what rate of exchange in New York is there a profit upon the shipment of gold from this country?—The exchange at 106½ is at par, taking ordinary charges.

2564. And the other way, sovereigns from New York at 109½, bills at 60 days' sight in both cases?—

[The Witness delivered in the Paper, which is as follows:]

Sovereigns, from London to New York, average weight, 5 dwts. 2½ grs., sold at 94 ½ cents. per dwt. To cover cost, charges and loss of interest, remittances must be made from New York at an exchange under 106½, at 60 days' sight.

Sovereigns, from New York to London. To cover costs and charges bills must be drawn at New York on London above 100½, at 60 days' sight.

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2565. Can you give any information as to the rates of exchange ruling here on continental places from the 1st of January to the 31st of October 1847?—Here is a statement which contains that information, and it has added to it the par of gold and of silver with Paris, and the par of silver with Hamburgh.

[The Witness delivered in the same, which is as follows:]

1847.

	January.	February.	March.	April.	May.	June.
Amsterdam -	12.2½, 1½, 1½ 2, 1½, 2½	2½, 1½, 1½ 1½, 1½, 1½	2½, 1½, 1½	2½, 1½, 4½ 6½, 6.	7½, 1½, 6½ 6½, 1½, 4½	4½, 1½, 1½, 4½ 1½, 1½, 1½, 1½
Hamburgh -	15.0½, 6, 7½ 1½, 7, 2½	6½, 1½, 1½ 1½, 1½	6½, 9½, 1½, 1½	9½, 10, 1½ 1½, 1½, 11½ 14½	14½, 15, 14½ 15½, 19½ 11½, 10½, 11.	12, 1½, 15½ 11½, 1½, 11½
Paris -	25.72½, 60, 57½, 55, 57½	62½, 65, 62½, 60, 67½, 62½	62½, 65, 67½, 65, 67½, 70, 72½	77½, 60, 67½, 22½, 25, 25.5, —25.67½,— 26.05, 26.05,	26.99, 19½, 17½, 10, 60, —25.95, 99½, 96.	25.20, 85, 52½, 57½, 55, 87½, 69½
SILVER -	5/0½, 1½, 1½	5/0½	4/0½	5/0½, 4/11½, 1½	4/10½, 11½	4/11½
	July.	August.	September.	October.	November.	December.
Amsterdam -	12.4½, 1½, 1½, 3½, 4½, 4½	4½, 6½, 5, 4½, 1½, 4½	4½, 1½, 1½, 1½, 1½	5, 6½, 7½, 8, 8½, 9½, 1½, 1½	6½, 7½, 6½, 6½	6½, 1½, 1½, 6½, 4½, 5, 1½, 6.
Hamburgh -	15.11½, 11, 10½, 11, 11½, 15.	12, 1½, 14½, 15, 1½	15, 1½, 15, 1½, 1½	15, 14.0, 0½, 1½, 2, 1.	15.16½, 14½, 1½, 1½, 15.	16½, 16, 1½
Paris -	25.89½, 75, 79½, 70, 67½, 65.	70, 75, 72½, 70, 72½	65, 70, 72½, 67½, 70, 72½, 75.	86, 97½,— 26.10,— 25.97½,— 26.10, 20, 5, —32½	26.02½, 0,— 25.97½, 95, 67½, 95.	92½, 95, 97½, 85, 92½
SILVER -	4/11½, 11½, 5/0	5/0, 4/11, 1½	4/11½, 1½	4/11½, 1½, 1½	4/11½	4/11½

Estimating gold at the Mint price here (77/10½), and silver at 5/
Par with Paris, in gold, is 25.82; and in silver, 95.57.
Par with Hamburgh, 15.10½.

2566. Was there any inducement to export gold from this country between those different dates, the 1st of January and the 31st of October 1847?—None whatever, except to Russia; to St. Petersburg there was a temptation.

2567. If there was no temptation, why has gold been exported?—It has not been exported to France, it has been exported to Russia and the United States.

2568. To Hamburgh?—That is, for Russia, I imagine, or some of it perhaps to Prussia.

2569. Has any gold gone to any of those places to which there was not naturally a temptation?—I do not think there has.

2570. Would you describe the rectification of the exchanges under the present system as being very ruinous to the country?—It is a pretty rough operation for commerce, and produces a great deal of inconvenience.

2571. Does it very injuriously affect the profits of trade and the employment of labour?—It certainly has an effect for the moment, but it must be paid, and I do not see but that there may be advantages as well as disadvantages in it.

2572. Has it ever occurred to you whether there might be any substitute for the export of gold in settling the balance of trade?—In answer to that question I have some observations which were put down last April, and which I have brought here to refresh my memory. I should say in answer to that, that the operations

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operations of commerce, both foreign and domestic, naturally regulate themselves, and it seems best to let them alone; if there is a redundant currency in any country, prices naturally rise, sooner or later, beyond the level of other markets; importation is encouraged and exportation is checked; thereby the balance of trade becomes unfavourable, gold goes out, the currency is contracted; prices fall, whereby importation is checked and exports are promoted; this seems all natural, and I see no reason to interfere with it by any legislative enactment; but when crops fail in a moment of quiet in commercial affairs, when the stocks of goods are small, indicating that prices had not been acted upon by the redundant currency, so as to stimulate imports too far, the balance of trade is disturbed by the want of corn, which want requires to be supplied as quickly as possible; therefore gold must go to pay for it, the currency becomes contracted, and prices fall. This was not desirable in April last with regard to the particular import, that was the cause of the difficulty; we wanted corn as quickly as possible, and as we could not force suddenly on foreigners more goods than their markets have been accustomed to take, payment must be made in gold, and by this visitation of Providence, the currency becomes contracted, prices of all commodities fall below the prices of other markets, and the very article of which we stood so much in need was forced into other markets; a considerable exportation of corn having taken place in the month of April last year, while it was very generally believed that we had not enough corn to last till harvest; it appears to me, therefore, that the failure of corn crops should be treated separately from the ordinary evolutions of commerce, that the same rule is not applicable to the operations of commerce in other merchandize and in corn. It is difficult to estimate the losses occasioned by a money crisis resulting from a failure of crop; but supposing that the amount of goods, raw and manufactured, on hand and in the course of manufacture, may be 100,000,000 *l.*, and that imports are ordered upon the supposition that the state of prices may be 30,000,000 *l.* more, you have 130,000,000 *l.* on which there may be a depreciation of at least 20 per cent. caused perhaps by the failure of corn to the extent of 5 or 7 millions.

2573. What do you estimate as the loss upon the domestic trade of the country?—I stated that to be the loss upon the commercial and manufacturing community, arising from the failure of crops over which they have no control, which is a visitation of Providence; it is no fault of theirs.

2574. Do you mean that that is the loss to the commercial and manufacturing community connected with the export trade?—The export, and that which is on its way abroad, in hand, or in manufacture, and in the course of exportation; I may estimate it incorrectly, but I estimate it at that, which shows how great the loss is for so small a cause.

2575. Would there be likewise a very great loss upon the domestic trade of the country?—There certainly would, but what is one man's loss there, may be another man's gain.

2576. What would you estimate the loss to the country from the two panics of last year?—It is impossible to give more than a guess of that, but it is enormous.

2577. Would you say that it was 200,000,000 *l.*?—No.

2578. Including the fall in Consols, railway stock and other stock, and commercial losses?—It is very wide, if you take in everything of that kind; any estimate that I could give would be a mere guess; but you can get at something near the value of the merchandize, because there is an annual export, and you know that that amounts to something like 50,000,000 *l.*, therefore a rough estimate of the loss can be formed.

2579. Has it ever occurred to you, that there might be some operation of credit adopted, in order to assist us to settle the balance of trade?—In the case of a corn failure, it has struck me that there ought to be some power in the Government to create some sort of stock that might be sold abroad, which should be redeemable at the end of one, two or three years; but then the question comes, supposing the next crop fails, what are you to do? But still I think it is worth trying.

2580. Would that have the effect of diminishing the export of gold?—That would check it altogether, if you could measure the amount of deficiency, and say that it would require 5,000,000 *l.* or 6,000,000 *l.* to make it good, and create stock to meet that.

2581. That would tend to diminish the evils to commerce, arising from the export of bullion?—If you could, by any process, throw that deficiency over two

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or three years, the commerce of the country would receive no check, it would go on as before.

2582. You were understood to say, that you thought the Bank of England ought not to charge a higher rate of interest than 6 per cent.?—I think that is high enough.

2583. Under all circumstances, that should be their maximum rate?—Yes.

2584. Do you think that they should never go below 4 per cent. as their minimum rate?—I do not know why they should not go as low as they like.

2585. You think that there should be a maximum rate, but not a minimum?—I think 6 per cent. is high enough.

2586. Do you think that, at the present time, there is much credit circulating in the country?—At this moment there is very little.

2587. Do you think that more credit has prevailed in the last few years than was advantageous to the country?—Perhaps, at the commencement of our late troubles, there may have been, for generally credit, after a few years of prosperity, gets extended beyond what it ought to be.

2588. Supposing credit had been in the usual course, would not the sudden pull up of the Bank in April have produced disasters?—Yes, I think, however, we cannot get on without credit.

2589. Was it intended by the Act of 1844 to stimulate export under a drain of gold?—I believe the promoters of the Act thought that that would be the

2590. Was that the effect under the panics of April and October?—I think not at all; on the contrary, the exports rather fell off, although in the year 1847, as compared with 1846, there is apparently no great difference; there has been greater export to the United States of some articles, and there has been a great deal of produce shipped over to the United States, there to be realized; the tariff there being an *ad valorem* tariff, at the fall in prices here it operated as a fresh tariff; for instance, pig-iron that was, in 1846, at 6*l.*, at 30 per cent. would have paid nearly 2*l.* duty; whereas, at the close of 1847, at 48*s.*, it would pay 14*s.* duty, and a large export has taken place in that article, which has reduced the price at New York so that it is worth about as much there as it is here.

2591. Would you say that the restrictive nature of the Bank Act of 1844 has had the effect of checking the exports at the time when it was intended to increase them?—I do not think it has gone so far as that; but I think the embarrassment was so great that the ordinary operations of buying on credit in this country were suspended.

2592. And the exports at the time were checked in consequence?—I think the export of everything that would sell was rather increased; I have mentioned that corn even was exported, though we wanted it so much here, and some other articles of general consumption were exported; but the general exports of the country were checked.

2593. The question does not refer to the general exports of the year, but only to the period when the restriction upon the Bank was the greatest, whether at that time, owing to the discredit, exports were not temporarily checked?—I should say temporarily the exports of some things were checked; but then, on the other hand, it should be observed that a good many articles were shipped off in order to raise money; they were shipped to the continental markets to be drawn upon, and that was the natural effect of the scarcity of money here.

2594. Was it intended by the Act of 1844 to check imports under a drain of bullion, so as to restore the exchange?—That was the object.

2595. Was the effect last year to check the importation of corn?—It did check it eventually, but it did not check it soon enough.

2596. Then the tendency of the law was, under a scarcity, to starve the people?—That would have been the effect, certainly.

2597. If the Government letter had not been issued in October, what do you think would have been the effect?—It is impossible to say what would have been the effect; but my impression is, that the merchants would have found some way of conducting their business.

2598. Do you mean through the operation of their credit?—They would have established some mode of transacting their business, if there had not been bank notes enough.

2599. But mercantile credit at that time would not circulate?—I do not think it would; it would not command bank notes; barter was resorted to in a great many instances; a man would buy a bill on the Exchange, giving bills of exchange in payment.

2600. Then,

2600. Then, the Act of 1844 had a tendency to create a system of barter?—I do not know whether it was the Act of 1844; it was the actual state of things that produced that effect.

2601. Would you say that there were as many individual merchants in London of great wealth and substance as there were five-and-twenty years ago?—I should say not; but I think as we get old we are very apt to think that those who are growing up are not so great as they really are.

2602. *Sir William Clay.* Do you think that with the present price of corn we are likely to have much importation from America of what they call their bread-stuffs?—I do not think that that can be determined exactly; but my impression is, that America will not supply any, but that the bread-stuffs will come from Russia in such quantities as to shut out the Americans altogether.

2603. You think that the Russians will be able to undersell the Americans?—Decidedly.

2604. Can you give the Committee any idea of the price at which there would be a large import into this country from America?—It is difficult to say, because there are so many improvements in the transport, and so many new channels creating; but my impression is that 22 s. or 24 s. per quarter for Indian corn, and about 4½ dollars per barrel for flour in New York, would be the price at which a large supply would come forward.

2605. That is to say, if the price laid down here would leave to the merchant in New York a net sum of 4½ dollars per barrel, that would be sufficient to tempt a large importation from America into this country?—I think it would.

2606. Flour can be brought from the Western States to be put on board at New York at the price of 4½ dollars per barrel?—I think perhaps 4½ dollars is a low price; I should express my opinion with great timidity as to how low corn will be supplied; but my impression is, from having bought wheat at Dantzic at 24 s. per quarter, and at Odessa at 15 s. per quarter in past years, that if you have a good crop here you must have very low prices.

2607. Do you think that any very large quantity of wheat would come from Dantzic at 22 s. a quarter?—I do not think the quantity from Dantzic would be very large; the great country from which the corn would come is Russia; the augmentation is something like 100 per cent. in one year.

2608. *Mr. Wilson.* Do you think that that augmentation would have taken place in the last year from Russia, if we had not had an extra price here?—I do not think it would; but I think when you consider that the world was not prepared for the sudden repeal of the Corn Laws in this country, it is significant at least to see how enormous the increase has been; and when those countries with a permanent market shall have accommodated themselves to that market, I think we can hardly say how low prices will go.

2609. Are you not of opinion that it would require a very much cheaper transit in Russia before the wheat could be brought so as to be sold at low prices in Odessa?—Twenty shillings is the price in Odessa in ordinary times.

2610. But I mean for such extraordinary supplies as we had last year?—It depends on how far it is drawn from the interior.

2611. *Sir William Clay.* Must not the price of corn from Odessa always vary with the radius of the circle from which it is drawn?—Certainly; for instance, 4½ dollars in America brings flour to New York from a certain distance, and 5 dollars brings it from a greater distance.

2612. *Mr. Wilson.* But last year we should not have had the same quantity from Odessa, or from America, if we had had ordinary prices?—No, I do not think we should; but last year we must bear in mind that they paid extravagant freight from all those places; and when freight comes to be settled at the common rate, they can afford to pay a better price for the wheat in places of shipment. But with reference to the supply, there are in the United States many places where there has been no money price for grain, and a price in money will be accepted, however low; the price of 5 d. a bushel, in money, for Indian corn, is something new to them.

2613. That is a small distance from the market?—Yes; but that is a very low price.

2614. You spoke about the creation of stock for the purpose of transmitting money abroad in the event of an accidental drain of gold, or an accidental turn of exchanges caused by a bad harvest; have you considered what the means would be of disposing of such securities in the market abroad at such a time?—I have considered that, and I think that the securities must bear such an interest

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as to tempt foreigners to take them; for instance, supposing the failure of the crop to require 4,000,000*l.* or 5,000,000*l.*, in place of having the whole commerce of the country disturbed, let the Government create bonds payable in one, two or three years, which should bear an interest of 7 per cent., if the common rate of interest in the foreign market is 6 per cent., they would sell, and of course would correct the exchange to that extent.

2615. Are you of opinion that at such a time, in the United States or in Russia, from which we import the chief part of our grain, the public would have a sufficient quantity of spare capital to invest in such bonds?—It is only for a short time that you would want the money, and you must be willing to pay a high rate of interest for one, two or three years, and you must fix such a rate of interest as to tempt people to take them; it is a sacrifice, but the sacrifice is very little compared with the sacrifice which would be made by disturbing all the relations of commerce.

2616. Would you propose that they should be Government bonds?—I think the Bank of England might issue them.

2617. By what means would you propose that the public should purchase those bonds in order to get hold of the gold?—Parties importing corn would draw bills, and the party selling the bonds would buy their bills, and counteract the effect of their drafts upon this country, otherwise the bills are drawn there in such quantities as to lower the exchange, and cause people to send the gold out of this country.

2618. The Government would incur a liability by issuing those bonds, but that liability would be, in fact, incurred on account of private individuals importing the grain; how would you arrange between the private individuals who import the grain and the Government who issue the bonds?—The Government would have nothing to do with those individuals; take New York, for instance; those individuals would go to New York to buy flour, and the Government agent would also go there to sell the bonds, and the Government would always keep the money.

2619. How would that enable the public to pay for the grain that was imported?—The parties importing that grain would first dispose of their bills; we will, for argument's sake, suppose that those bills were bought by the agent of Government, and paid here when the grain is sold.

2620. But some difficulty appears to exist as regards the settlement of it?—The way in which it could be managed would be this; I, as the agent of Government, would go to New York and borrow money, issue bonds to the extent of 5,000,000*l.*, and take bills on London to the extent of 5,000,000*l.* with that money, and a man who wanted to buy corn would go there and draw bills for 5,000,000*l.*, if those bills were paid which the corn represents, and I, as the Government agent, should get my money.

2621. But the British importers are the parties who have to pay the money here?—Yes; but in two or three years more the Government will have to return it to meet the bonds at maturity.

2622. Am I to suppose that the Government are to give the importers of corn credit for two or three years?—No; the Government has nothing to do with them; the object is simply to settle the balance.

2623. You must have some means of transferring the money from the Government here to the purchasers?—That will be done in the ordinary evolutions of trade; the Government borrowing the amount they want, take bills; they perhaps take the very bills that are drawn for the corn, or at any rate they take that amount of bills on London; by taking that amount of bills they prevent the exchange going so low as to cause a large exportation of gold from this country.

2624. But how do you relieve the public who buy corn, by means of the Government issuing these bills; supposing an individual sent an order to New York to purchase wheat, his purchase would cause bills to be drawn against him from New York; is not the effect of drawing those bills upon this exchange, to make it profitable to send gold out of this country?—Yes.

2625. What you propose is, that the Government should send out Government bonds to New York, and sell them in the market, and take the bills which have been drawn against the corn?—Yes, or take any other bills.

2626. And thereby prevent the exchange falling?—Yes.

2627. If the Government take those bills, or whatever they take, those bills would be repaid at maturity?—Yes, and at maturity the Government would have the money here.

2628. Then,

2628. Then, the Government would have the money in their Treasury, but individuals would still be obliged to pay their bills, and all the inconvenience which the trade suffers now, unless you were to suppose that this money were to be given out to the public, would still be suffered?—There would be no contraction; but if the gold went out, it would cause a contraction of the currency, and all the departments of trade would suffer; by paying gradually for the corn instead of paying all at once, you take off that pressure upon the currency.

2629. The capital of the houses in London who had imported that corn, would be as much drawn upon in the one case as in the other?—But the currency of the country would not be contracted.

2630. But the merchant who imported 20,000*l.* worth of corn, would have to pay for it out of his capital that he usually employed in his own business?—Yes, and he would sell his corn to meet the bills drawn upon him, and his capital would be returned to him for the bills.

2631. If he sold his corn, the buyers must pay him, and it would come to the same thing?—Precisely; but the national payment is postponed, and the balance of trade is not affected, until the reimbursement of those hands.

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Martii, 7^a die Martii, 1848.

MEMBERS PRESENT.

Mr. Chancellor of the Exchequer.
Mr. Herries.
Mr. Cayley.
Mr. Tennant.
Mr. Spooner.
Lord George Bentinck.
Mr. Hudson.
Mr. Cardwell.
Sir Robert Peel.
Mr. Goulburn.
Mr. Thorneley.

Mr. Glyn.
Mr. Home Drummond.
Sir James Graham.
Mr. Baring.
Mr. Beckett.
Mr. Disraeli.
Mr. Wilson.
Mr. Home.
Mr. Alderman Thompson.
Sir William Clay.

THE RIGHT HON. F. T. BARING, IN THE CHAIR.

James Morris, Esq., Governor of the Bank of England, and Henry James Prescott, Esq., Deputy Governor of the Bank of England; Examined.

2632. *Chairman.* [To Mr. Morris.]—YOU are Governor of the Bank of England?—I am.

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2633. How long have you been in the direction?—I have been in the direction since 1828.

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2634. [To Mr. Prescott.]—You are Deputy Governor?—Yes.

2635. How long have you been in the direction?—I have been in the direction since 1836.

2636. *Chairman.* The more convenient course will be, that I shall put the questions to the Governor, and the Deputy Governor will consider the questions as equally put to himself; and if he has anything to add, or any difference of opinion to express, he will be good enough to state it.—[To Mr. Morris.] When did the Bank Charter Act first come into operation?—In August 1844.

2637. The first account under that Act was published on August 31st, 1844?—I think it was.

2638. I observe, at that time, the minimum rate of interest, from the return which the Bank has furnished us, appears to have been 4 per cent.?—Yes, it was.

2639. On September the 7th, by the account, it appears that the minimum rate of interest was 2½ per cent.?—Yes, it was.

2640. I believe that is a lower rate of interest than ever was charged by the Bank of England before?—Yes.

2641. Will you have the kindness to state upon what grounds the Bank reduced their minimum rate from 4 per cent. to 2½?—Previous to September 1844, the minimum rate of discount charged by the Bank of England was for a long period not less than 4 per cent.; the consequence was, that when money was abundant, and the current rate of interest below 4 per cent., the only means the Bank had of getting out its notes was by the purchase of securities; when the

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current rate of interest was high, a demand naturally arose for discount at the Bank, and the Bank was then obliged to resort to the sale of securities for the purpose of obtaining notes from the public to meet the demand. This practice of buying securities when money was abundant and the price high, and of selling securities when money was scarce and the price low, caused a loss to the Bank and inconvenience in the money-market which it was desirable to avoid; it was also considered advantageous that a portion of the Bank's deposits should be constantly employed in the discount of bills, and constantly, therefore, under control. It was in consequence determined that in fixing the Bank's rate of discount regard should be paid to the market-rate; the rate in the market at the period when the Bank reduced the rate to $2\frac{1}{2}$ per cent. was 2 per cent. On the 7th September 1844, when the Bank reduced the rate of discount to $2\frac{1}{2}$ per cent., the amount of bullion in the Bank was 15,209,000*l.*, the amount of reserve 9,083,000*l.*, and the discounts 2,116,000*l.*; the amount of discount in London was 1,113,000*l.*, and the rest were country discounts, and discounts for the purpose of circulation; the rate of $2\frac{1}{2}$ per cent. was continued till the 16th October 1845, when 3 per cent. was substituted; the bullion at this period had fallen to 14,190,000*l.*, the reserve to 5,937,000*l.*, and the discounts had risen to 6,526,000*l.* The low state of the reserve at this period arose partly from the payment of the dividends. On the 6th November in the same year the rate was raised to $3\frac{1}{2}$ per cent., the bullion having fallen to 13,723,000*l.*, the reserve being only 5,958,000*l.*, and the discounts 7,846,000*l.* In August 1846 the rate of 3 per cent. was restored, the bullion at that time being 16,366,000*l.*, the reserve 9,940,000*l.*, the discounts having fallen to 6,067,000*l.* On the 14th January 1847, the rate was raised to $3\frac{1}{2}$ per cent., the bullion being 13,949,000*l.*, the reserve 7,269,000*l.*, and the discounts 7,624,000*l.*, and on the 21st of the same month the rate was advanced to 4 per cent. On the 8th April the rate was raised to 5 per cent., the bullion having fallen to 9,867,000*l.*, and the reserve to 3,464,000*l.*; the reduction in the reserve was, however, partly owing to the payment of the dividends; from the 6th to 23d April, the Bank borrowed 1,275,000*l.* in Consols, for the purpose of maintaining the reserve; on the 15th April the Court came to the determination of restricting the amount of discounts for the purpose of strengthening the reserve, which was then only 3,342,116*l.* It was proposed by some members of the Court to discourage the demand for discount by charging a high rate of interest, and 7 per cent. was suggested; but the majority preferred limiting the amount granted to individual accounts. On the 5th August the minimum rate was raised to $5\frac{1}{2}$ per cent., and on the 25th October, at the recommendation of Government, it was advanced to 8 per cent.

2642. That was under the letter of the Government?—Yes. On the 1st September the amount to the credit of the Exchequer was 6,261,000*l.*, of which 2,168,000*l.* had been lent out for periods of not less than 14 days, and not beyond the 16th October, when the dividends became due. At the weekly court of directors of the 2d September, it was decided that it would be expedient to make these loans at a rate of interest of 5 per cent., or one-half per cent. below the then rate of discount. The object of this resolution was to induce the public to take advances in the shape of loans, repayable at or before the period of the dividends, rather than in the form of discounts of bills, which, in many cases, would not become due until after the dividends were paid; nor was this any novelty in the practice of the Bank, which, from the first introduction of the system of temporary loans, has been in the constant habit of making such loans at a rate of interest lower than the rate charged in the discount of bills. By the 30th September, the object of lending out the accumulated Government money had been nearly accomplished, and as on that day the applications for loans were very numerous, amounting, in the aggregate, to 362,000*l.*, the rate of interest was raised to $5\frac{1}{2}$ per cent.; but no public notice was issued, nor any step taken, which committed the Bank to the continuance of such loans, either at that or any other rate. On the 1st of October, the Governors finding the reserve had been diminished on the preceding day by no less a sum than 450,000*l.*, and that they could not with prudence make further advances beyond such as the public might call for in the way of discount, and considering, moreover, that the object of the Bank had been fully attained, and that the dividends were becoming due within a short period, they put a stop to the further continuance of the operation. These advances, it must be repeated, were made professedly out of the money received on account of the Exchequer; their object

object was to prevent this money from accumulating in the Bank coffers until the moment arrived when it could be again distributed through the payment of the dividends. These loans amounted, on the 9th October, to 4,544,000*l.*, and on the 14th, the day after the payment of the dividends began, they were reduced to 1,507,000*l.*; the dividends providing the public with the means of paying the loans, and the payment of the loans enabling the Bank to meet the dividends and maintain their reserve. The loans outstanding after the 18th October were chiefly on bills of exchange, which, owing to the discredit arising from numerous failures, the pressure of railway calls, and other disturbing circumstances, the borrowers were unable to redeem. Most of these loans were renewed at increased rates of interest, and additional loans were made to parties who declared themselves unable to meet their engagements without receiving such assistance from the Bank. The condition of the Bank at the time the Government letter was issued was this: money being extremely scarce, and the bankers and discount-brokers unable to give accommodation to their customers, every one wanting money applied to the Bank; there appeared to be an idea that the Bank was bound to provide the public with notes, without considering that the Bank was limited in its operations, just as any other banking company. The 25th October was the day on which the Government letter was issued; on the 23d October, being in communication with the First Lord of the Treasury and the Chancellor of the Exchequer, we were informed that it was the intention to issue the letter on the 25th, and we were requested in consequence, not so much to regard our own position, as to give every assistance to the public. Under these circumstances, the reserve went down to 1,994,000*l.*, which was lower than would have been the case if we had looked only to the Bank's safety; on the 22d, when we were acting without reference to the Government letter, the reserve was 2,375,472*l.*

2643. Mr. *Herries*.] That was the amount of reserve in the Bank and all its branches?—Yes, in London and in the country.

2644. Will you state how much there was in London?—I am speaking now of the 22d of October, the day on which I consider we were responsible for the maintenance of the reserve; when the letter came out, the Government asked us to act up to the spirit of that letter, and we considered ourselves no longer responsible for maintaining the reserve; but till the letter was out we considered ourselves responsible for maintaining it.

2645. Lord *George Bentinck*.] You draw a distinction between the Friday and the Saturday?—I draw a distinction between the balance on Friday, when we were acting independently of the letter, and the Saturday, because on Saturday we were informed that the letter was to come out, and therefore we acted in the spirit of the letter, though the letter did not come out till the Monday. The reserve on the 22d of October was, in London 1,600,025*l.*, and in the country 725,447*l.*, making together 2,375,472*l.* I may perhaps be allowed to follow this up, by giving a statement of the extraordinary aid which was afforded by the Bank of England to different establishments, between 15th of September and 15th of November 1847, for the purpose of preventing their stopping payment. 1. The Bank of England being applied to by a very large firm in London, who had at that time liabilities to the extent of several millions sterling, advanced 150,000*l.* on the security of debentures to that amount of the Governor and Company of the Copper Miners in England, and thereby prevented them from stopping payment; it was distinctly understood that the operation was for that purpose. 2. The Bank advanced 50,000*l.* to a country banker on the security of real property. 3. On the urgent representations of several parties of the first importance in the City of London, the Bank advanced 120,000*l.* to the Governor and Company of the Copper Miners, on the guarantee of approved names, taking at the same time a mortgage on the Company's property for 270,000*l.* to cover this sum, and the amount of 150,000*l.* debentures before advanced upon; it was stated that the stoppage of this company would have thrown 10,000 people out of employment. 4. The Bank advanced 300,000*l.* to the Royal Bank of Liverpool, on the security of bills of exchange, over and above their usual discounts to this bank; this advance unfortunately proved inadequate, and the Royal Bank, having no more security to offer, stopped payment. 5. The Bank assisted another joint stock bank in the country with 100,000*l.*, on the security of bills of exchange, over and above usual discounts. 6. The Bank advanced 130,000*l.* on real property to a large mercantile house in London. 7. The

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Bank advanced 50,000 *l.* to another mercantile house on the guarantee of approved names. 8. The Bank advanced 50,000 *l.* to a joint stock issuing bank on bills of exchange, and agreed to open a discount account with the said bank, on condition that it should withdraw its issues, but the joint stock bank stopped payment before the arrangement could be completed. 9. The Bank advanced 15,000 *l.* on real property to a large establishment in London. 10. The Bank assisted, and prevented from failing, a large establishment in Liverpool, by forbearing to enforce payment of upwards of 100,000 *l.* of their acceptances, and engaging to give further aid if required. 11. The Bank assisted a very large joint stock bank in the country with advances on loans on bills of exchange to the extent of about 800,000 *l.*, over and above usual discounts. 12. The Bank advanced 100,000 *l.* to a country banker on real property. 13. The Bank advanced a joint stock bank in the country 200,000 *l.* on the security of local bills, besides discounting 60,000 *l.* of London bills. 14. The Bank assisted another joint stock bank in the country with an advance of 100,000 *l.* on local and London bills. 15. The Bank advanced 100,000 *l.* to a large mercantile house in London, on approved personal security. 16. The Bank assisted a large house at Manchester to resume payment by an advance of 40,000 *l.* on approved personal security. 17. The Bank advanced 30,000 *l.* to a country bank on real property. 18. The Bank assisted many other houses both in town and country, by advances of smaller sums on securities, not admitted by the Bank under ordinary circumstances; nor did the Bank, during the period in question, reject at their London establishment any one bill offered for discount, except on the ground of insufficient security.

2646. Mr. *Herries*.] Could you distinguish what portion of that was between the 15th of September and the 25th of October?—I meant to have done that; but I will have that ascertained.

2647. Mr. *T. Barris*.] Can you also give the rates of interest at which the loans were made?—I will furnish that.

2648. Mr. *Herries*.] What is the total amount?—The amount is 2,300,000 *l.*, being extraordinary aid, and not included in the general accommodation that we were giving to the public in the usual way.

2649. By far the larger proportion was previously to the 23d of October?—Yes, by far the larger proportion.

2650. *Chairman*.] Will you have the goodness to refer back again to the first date which you mentioned; on the 7th of September 1844, the rate of interest was reduced from 4 per cent. to 2½ per cent.; was that connected at all with the change of the constitution of the Bank on the passing of the Act of 1844?—It was; the subject had been under consideration before the renewal of the charter.

2651. Will you state to the Committee what you consider the effect of the Act of 1844 was upon the responsibility of the Bank?—The effect of the Act of 1844 was to create a separation between the two departments, the issue department and the banking department; over the issue department we have no control whatever, and the effect of the Act of 1844 is to oblige us in the banking department to look to the amount of our deposits, and the amount of the reserve that we have for meeting our deposits.

2652. Do you consider that the Act of 1844 relieved you entirely from any responsibility as regarded the circulation?—Entirely.

2653. With regard to the banking department, in what condition did the Act place you?—It placed the Bank of England in the condition of any other bank, except that we were carrying on business upon a much larger scale, and we had also Government deposits to deal with.

2654. It has been stated that the effect of the Act of 1844 was to relieve you from any other responsibility than that which you had to your own shareholders, with the view of making the dividend for them as large as it could be made; do you consider that the Bank was relieved from all responsibility as regards the banking department with reference to the public interest?—I may state that as far as the Bank was concerned, I think the Bank ought to have been carried on exactly on the same principle as that established by the Act of 1844; whether the Act of 1844 had passed or not, we ought to have had a separation of the two departments; the issue department will naturally take care of itself; with respect to the banking department, we have a duty to the public to perform, and a duty to perform to the proprietors; our duty to our proprietors would lead us to make

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make the best dividend we could for them; but in doing that, we are bound to take care, considering the power that the Bank have, as a large body, not to interfere generally with the monetary affairs of the country. I have always considered that the two interests were united, the proprietors' interest and the public interest; I have always found that whenever a step has been taken to promote the interests of the proprietors at the cost of the public, it has invariably fallen back upon us, and instead of bettering ourselves, we have put ourselves in a worse position.—(Mr. Prescott.) I should say that in all the more important measures of the Bank, such as in reducing or raising the rate of interest, the first thing that the directors look to is the public interest, rather than the interest of the proprietors of the Bank.

2655. That is, you consider that the managers of the Bank are bound to look to the public interest, more than to the particular interest of the proprietors?—They are bound to consider both.

2656. (To Mr. Morris.) You consider that the two interests coincide?—Yes; I do not see how the two interests can very well clash.

2657. Was there a reduction of interest on the 29th of August 1846?—Yes, there was; we reduced the rate of interest from $3\frac{1}{2}$ per cent. to 3 per cent.

2658. Will you state the grounds upon which that reduction was made?—The reason for reducing the rate of interest was, that we had a reserve of 9,940,000 *l.* to meet deposits to the amount of 16,304,000 *l.*; the bullion was 10,366,000 *l.*; the exchange upon Paris was 25.72 $\frac{1}{2}$; and gold was coming into the country; the amounts of our discounts were falling, and our advances also; and our securities had fallen.

2659. From that time no advance in the rate of interest took place till the 16th of January, when it was increased to $3\frac{1}{2}$ per cent.?—Exactly.

2660. Will you have the goodness to state to the Committee upon what grounds the interest was kept at that rate up to that time?—I think the subject was discussed in the Court about the middle of November; there was a proposal about the middle of November to raise the rate; and the majority of the Court considering that we had 8,700,000 *l.* in our reserve to meet deposits of 15,800,000 *l.*, and that the bullion amounted to 14,924,000 *l.*, and our discounts 6,591,000 *l.*, thought that the figures did not justify an alteration; I am speaking of the majority of the Court.

2661. Were you and the Deputy-governor of opinion, that at that time there ought to have been an increase in the rate?—I was of opinion that there ought to be an increase, because at that period there were indications of a failure in the potato crop; the exchange with America had fallen; gold was going out to America; and therefore, looking to the future, I thought it would be advisable to raise the rate.—(Mr. Prescott.) I thought it would have been more prudent, at the time, to raise the rate of interest at an earlier period than it was raised.

2662. Have subsequent events confirmed you in the impression that that would have been the more proper course?—They have.

2663. (To Mr. Morris.) We will now go to the period of the difficulties of April of last year; at that time you borrowed upon the Three-per-cents, with a view of increasing your reserve?—Yes, we did.

2664. Did you find in the difficulties of April any inconvenience arising from the restrictions of the Act of 1844?—None whatever.

2665. Was the raising of the rate of interest postponed by the Bank during that time, with a view of facilitating any operation by the Government; I allude to the apparent necessity of Government raising money?—I think there was a discussion at the period at which the loan was being negotiated in the money-market; and some members of the Court thought that, in the face of the negotiation of a loan by the Government, it would be desirable, not immediately to raise the rate of interest, but it was only a question of deferring the raising the rate for a week.

2666. You stated that you were in communication with the Government, with regard to the issue of the letter in October; will you have the goodness to state to the Committee what communication, as representing the Bank, you had with the Government upon that occasion?—We were in communication with the Government for a considerable period before the issue of the letter; they were naturally anxious to know how the Bank was going on; and I think the question was put to us, whether the Bank required any relaxation of the Act for the purpose of protecting the Bank, and our answer was this, that as far as the Bank was concerned, we did not require any relaxation; that we were perfectly

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prepared to maintain the law, but that if the Government had any political motives, as, for example, to prevent the stopping of mills, or disturbances in the country, that was a subject for the Government to decide, and not for the Bank.

2667. As representing the Bank did you upon any occasion previous to the issue of the letter, press upon the Government the expediency of a relaxation of the restrictions of the Act of 1844?—No, we did not.

2668. I understood you to say that you had a communication with the Government, and that they announced to you their intention on Saturday the 23d?—They did; I consider that on the Saturday we were made officially acquainted with the fact that the letter was to be issued on the Monday.

2669. And you governed yourselves accordingly?—Yes.

2670. Are you of opinion that if that letter had not been issued, the Bank would still have been enabled to carry on their business without any risk of stopping payment in the banking department?—I have no doubt about it.

2671. What would have been the effect, in your opinion, if the Government had not issued that letter?—My opinion is, that the distress might have been prolonged for a further period, but I do not think it would have gone on to any great extent; the rate of interest was high, the exchanges were high, gold was flowing into the country, and there had been an increased issue in the country at that period in notes and coin, between the 25th of September and the 30th of October, of 4,356,000*l.*; therefore the distress did not arise from any want of circulation in the country; it arose entirely out of panic; my impression is, that a high rate of interest would have brought out money which persons had been keeping as an additional reserve in consequence of the panic, and also that the large importation which would take place of capital from foreign countries would have enabled the country to get through without that letter being issued.

2672. Have you formed any opinion as to the time in which the pressure would have been got over if the letter had not been issued?—It is impossible to form an opinion upon that; it might have continued for some time; but I do not think it would have continued long; we found in April that there was a great outcry, and a great want of notes, but in a very short period it was got over, and we went through without further difficulty at that period.

2673. Was there in April what you called a panic?—No, I should describe that as a pressure.

2674. What distinction do you make between a pressure and a panic?—I consider that in April the pressure arose from the scarcity of money, produced by a large export of the precious metals in payment of food, and also by the publication of the Bank's reserve, which was about 3,000,000*l.* The public were not at that time well acquainted with the working of the Bank under the new Act; they were not aware that at that particular period, after the payment of the dividends, the reserve is generally at the lowest, and that the tendency of the reserve, after that, is to increase in consequence of the revenue coming in; but I consider the state of things in October to have amounted to a commercial panic; houses were failing, and one scarcely knew whom to trust.

2675. Will you state to the Committee what you consider to have been the causes of the distress which the country experienced in 1847?—The chief causes were, first, an unprecedentedly large importation of food, occasioning in payment the export of a large amount of bullion, to the extent of about 7,500,000*l.*, from the coffers of the Bank, and probably not less than 1,500,000*l.* from other sources, together 9,000,000*l.*; second, a still larger outlay of capital on railways, by which about 40,000,000*l.* were withdrawn from trade and other sources, and invested in works which did not yield an immediate return. These causes acting together, after a high state of credit and excessive speculation, brought on the pressure in the money-market. The abstraction of 7,500,000*l.* from the bullion held by the Bank, caused a diminution in the notes in circulation to a similar amount. I assume that 1,500,000*l.* may have been exported from the coin in circulation in the country, making 9,000,000*l.* of bullion which went out to pay for food during the latter end of 1846 and the beginning of 1847. I wish to make a distinction between the pressure in April and the panic in October; the panic began by failures in the corn trade; the price of wheat had risen to 120*s.*, in the expectation that the supplies in the country would not be sufficient to meet the demand for consumption until the harvest; large arrivals of grain from the continent of Europe and from America, coupled with the prospect of an early and abundant harvest, caused a sudden fall in price to about 60*s.*, with a corresponding

sponding decline in Indian corn. The failure of most of the corn speculators followed this great reduction in the price of grain, and their failure caused the stoppage of an eminent discount broker, having an extensive country connexion; this stoppage, by closing one of the principal channels of discount between the country and London, caused distrust to extend into the country. Credit became affected by these failures, and several London firms of large business also failed; then followed in rapid succession the failure of the Royal Bank of Liverpool, the Liverpool Banking Company, the North and South Wales Banking Company, some private country banks, and the Union Bank of Newcastle, followed by a heavy run upon the Northumberland and Durham District Bank; to these disasters succeeded alarm and an almost total prostration of credit; the London bankers and discount brokers found it impossible to grant the usual accommodation to their customers, and necessarily obliged every one requiring assistance to resort to the Bank of England; notes were hoarded to a considerable extent, so much so, that notwithstanding the notes and coin with the public in October exceeded by 4,000,000*l.* to 5,000,000*l.* the amount with the public in August, still the general complaint was of a scarcity of money; credit was so entirely destroyed that houses trading to distant countries, and carrying on their business by a renewal of their acceptances as they became due, were no longer able to meet their engagements, and were forced to suspend payment; this was the state of things previous to the issuing of the Government letter in October 1847.

2676. I observe that you do not at all state, among the causes of the distress, the passing of the Act of 1844?—I consider that the distress was independent of the Act of 1844.

2677. Will you have the goodness to state to the Committee your opinion of the working of the Act of 1844?—The main object of the Act was to cause the paper circulation to expand and contract, as bullion flowed in or out of the issue departments, so as to keep the currency in the same state as if it were purely metallic. I consider, that this object, has been fully answered, and, under a period of extreme pressure, the convertibility of the note has been securely maintained. In October 1847, in consequence of the efflux of bullion, the notes of the issue department fell to about 22,000,000*l.*; of this issue 14,000,000*l.* were against securities, and 8,000,000*l.* against bullion. At that period, in consequence of the contraction of the circulation, the exchanges turned in favour of this country; if this contraction in the circulation had been counteracted, it could only have been by an increased issue upon securities. Supposing an additional issue against securities had been made to the extent of 2,000,000*l.*, an export of bullion to a similar amount would have been the consequence, the export only ceasing when the issues fell to 22,000,000*l.* The issue department would then have stood as follows; viz.—

Issues against securities	-	-	-	-	£ 16,000,000
Ditto bullion	-	-	-	-	6,000,000
					<hr/> £ 22,000,000

In former periods of commercial distress, previous to the Act of 1844, the Bank did not sufficiently regard the state of the foreign exchanges, and had not a better system been pursued in 1847, the export might have continued till the amount in the coffers of the Bank had been reduced, as in 1825, to about 1,000,000*l.*; in 1837, 3,800,000*l.*; in 1838, 2,400,000*l.*; such reductions in the bullion necessitating violent and stringent measures for the purpose of regaining a sound position. The Act of 1844 has prevented this, by limiting the issues against securities; the duty of the Bank is now clearer and more simple; it has to look to its banking reserve only; the circulation takes care of itself.

2678. You speak of the Bank being obliged in former times to have recourse to stringent measures; do you consider that the measures which were had recourse to then were more stringent, and caused more inconvenience to the public, than has been caused by the operation of the Act of 1844?—I should say that the general distress throughout the country in former panics had been much greater than the distress created in 1847, though, perhaps, not so much among commercial houses in London. The distress in 1847 generally prevailed in London, Lancashire, and Newcastle; I believe Yorkshire almost entirely escaped, and I believe that the agricultural districts escaped also, comparatively speaking;

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I may, perhaps, add, that in my opinion the reaction under the Act of 1844 will be much more rapid than it has been on former occasions; I mean that the country will recover the effects of the measures adopted under the Act of 1844 more rapidly than they have recovered other periods of panic.

2679. What is the practical working of the constitution of the Bank now; what power have the Governor and Deputy-governor of the Bank?—The Governor and Deputy-governor are the executive, and the Court of Directors are the deliberative body; the Governor and Deputy-governor being daily engaged in the management of the Bank, have a certain influence in suggesting measures to the Court, but it is for the Court to determine, and then the Governor and Deputy-governor to carry out the determinations that the Court come to at their weekly meetings.

2680. Between the meetings, what power is vested in the Governor and Deputy-governor?—The power vested in them is to take any measures that they may think necessary for the benefit of the establishment, reporting at the next court-day what they have done; but in cases of very great emergency the Governors have the power of calling a Court together, or a meeting of the committee of treasury.

2681. During the recent difficulties was the Court ever called together?—(Mr. Prescott.) Yes, several times; for example, on the 25th of October.—(Mr. Morris.) Naturally, on that day, they were called together for the purpose of giving their sanction to the measures recommended by the Government.

2682. Previously to receiving the Government letter were the Court called together?—Yes, they were called together.

2683. Do you recollect how often?—I should say two or three times; the Court met in the Governor's room for the purpose of not alarming the public; for if the public had known that there was an extraordinary meeting of the Court, it might have created excitement out of doors.

2684. How often do the committee of treasury meet?—They meet weekly, on the Wednesday preparatory to the meeting of the Court on the Thursday.

2685. Have the Governor and Deputy-governor a constant means of ascertaining the opinions of the members of the committee of treasury from time to time, though they do not formally meet?—Yes; and there is also a committee of daily waiting, for the purpose of carrying out the daily business of the Bank; when anything of consequence occurs, the Governors are in communication with that committee, and constantly members of the committee of treasury come into the Bank, though they may not happen to be in waiting.

2686. How is that committee of daily waiting composed?—The principle on which it is composed is this, out of the twenty-four directors they take one member out of the eight first; another member out of the next eight in succession; another member out of the eight juniors, and these form the committee of daily waiting.

2687. That is for the common business of the Bank?—Yes.

2688. That is not a committee so composed as to decide on great questions?—Occasionally, directors change their days of waiting to suit their convenience; but otherwise, the senior member would be at the head of that committee.—(Mr. Prescott.) The principal duty of the committee of daily waiting is to manage the discounts.

2689. Not to settle the rate of discount?—(Mr. Morris.) No, only to carry out the discounts.

2690. If a question of considerable importance arises, do the Governor and Deputy-governor take upon them the decision of it, or are they in the habit of communicating with the members of the committee of treasury from time to time between the weekly meetings of the Court and of the committee of treasury?—They would, in such a case, assemble a meeting of the committee treasury.

2691. Have the Governor and the Deputy-governor, for instance, advanced or altered the rate of interest between the meetings of the Court?—Yes, they have.

2692. Do they do that in communication with the members of the committee of treasury, and with their sanction, or do they do that upon their own responsibility?—On one particular occasion, there happened to be two or three members

bers of the committee of treasury in the house, and we called them into the Governor's room, and consulted them upon the propriety of advancing the rate; but on an emergency the Governor and Deputy-governor have authority to alter the rate of interest, reporting the circumstances at the next meeting of the Court.

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2693. You consider that the Governor and Deputy-governor have the power of making any alteration in the rate of interest which, in their opinion, is called for by the circumstances of the case, subsequently reporting it to the Board?—Yes, they have.

2694. In your opinion, is the present constitution of the Bank such as ought to satisfy the public?—That is a subject which we have lately had under consideration, and the Court have resolved that for the future parties to be recommended to be elected as Governor and Deputy-governor shall not be taken according to rotation.

2695. Will you state the reason why you have made that alteration?—It is not convenient for some gentlemen to take the chair in their turn, and others may not have sufficient health for it; hitherto, unless a director took the chair in his turn, it has been usually expected that he should retire from the direction, though there are instances to the contrary.

2696. How long has that alteration been made?—The departure from the rule of rotation was very recently made; when, on a late occasion, the chair of the Deputy-governor became vacant, the gentleman next in succession not liking to be called upon so suddenly, the present Deputy-governor was recommended to be elected, though not in his turn.

2697. Upon what principle will the election of the Governor and Deputy-governor hereafter be?—Directors will no longer be recommended for the chairs according to their seniority; the consequence will be that, in the selection of candidates to fill up vacancies in the direction, we shall be enabled to recommend gentlemen of more mature age than at present; hitherto, as a period of about 20 years has generally elapsed before a director reached the chair, we have been obliged to recommend candidates for the direction younger than was, perhaps, desirable, or than will be necessary under the proposed alteration.

2698. But has the alteration been made for the mere purpose of allowing parties to be passed over, to whom it may be inconvenient to serve, or as to whom there may be particular reasons why they should not be put in the chair; or has it been with the view of enabling you to select out of the direction those who, under the circumstances, are the most fit to fill the chairs?—The object is to enable us to select those who may be most fit for the situations.

2699. The directors will for the future look simply to the fitness of the parties?—The Court have determined to act upon that principle in recommending parties to the proprietors.

2700. Do you consider that there would be any advantage in having a permanent Governor of the Bank?—I do not.

2701. Will you state any objections that you have to that arrangement?—I do not see any advantage in it, inasmuch as before a director comes to the chair, he has been one year on the committee of treasury, and two years Deputy-governor; and therefore he has three years' initiation, as it were, before he is called upon to act as Governor. There is no difficulty among ourselves in finding a person who would be qualified for that appointment; if there were a permanent Governor, I think jealousies might arise; I think that every director, considering that in his time he may come to the chair, is more inclined to support the chair from that consideration than would be the case if there were a permanent paid Governor.

2702. You are aware that there is a permanent Governor of the Bank of France?—Yes.

2703. Have you any knowledge of the working of the system in France?—I do not think I have any that I should like to give as evidence.

2704. What is your impression upon the subject?—I rather think that the Governor there takes very little of the duty upon him.

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2705. Have you ever contemplated the introduction into the Bank direction of parties unconnected with trade, not elected by the proprietors, but nominated by the Government, or appointed in some other way, as permanent officers, not as Governor or Deputy-governor, but as forming part of the direction?—No, I have never turned my attention to the subject; I do not see that any advantage would arise from it.

2706. At present what is your limit with regard to silver?—We are allowed to hold one-fifth of the whole of our bullion in the issue department in silver.

2707. Do you think that any alteration as to the amount of silver would be advantageous?—I beg to hand in a paper I sent through Mr. Cotton, the then Governor, to Sir Robert Peel at the time he was introducing the Bill of 1844, in which I proposed that a larger amount of silver should be allowed: "It would be highly inconvenient to limit the payments of the circulation department to sovereigns. This would give a direct encouragement to the export of that coin in preference to foreign coin and gold or silver bars, each of which description of bullion answers the purpose of export when the exchanges require it, and do not occasion the loss of the expense of coining, as sovereigns when exported and melted do. The facility of exporting silver in preference to gold, when such export is expedient, is the true remedy against the inconvenience of our standard differing from that of other countries, and unless the circulation department is allowed to issue against silver, that inconvenience will be real and severely felt. So long as a silver standard is not recognized, and silver coin is used only as tokens under 40s., no quantity of silver likely to be in the Bank can affect the standard value of the gold sovereign; but the sale of that silver may save useless coining of sovereigns, and answer the same purpose. Silver generally arrives from America, and latterly from China, in large amounts and at pretty regular periods. If the Bank is restricted from purchasing that silver, it will always be bought by merchants who will export it immediately; the principal demand being for the continent. No capitalist will find it to his advantage to hold it; the variations in price seldom, if ever, compensating him for the loss of interest. When the exchange is low, and the price of silver high, this export acts advantageously in liquidation of payments due to foreign countries; but when the exchange is high and silver low, the silver will sell at a lower price than if the Bank were allowed to buy it, and it will be exported solely for the purpose of bringing back gold; the expense of the export of the silver and the import of the gold being an actual loss on the transaction. The practice of the Bank has been to buy bar silver at 4s. 11½d., and dollars at 4s. 9½d., which at the French mint prices is equal to buying gold at 77s. 9d. When the exchanges fall, and there is a demand for remittances to the continent, the Bank has sold the silver, which has answered all the purposes of gold; has left a small profit to the Bank, and saved the expense of exchanging silver for gold. An unnecessary export of silver, that is when it is not required to rectify the exchange, causes a momentary rise in the exchange, which again falls back to its original rate so soon as the operation is ended. This momentary rise in the exchange, so long as it lasts, is prejudicial to all parties who may have to draw bills upon the continent in payment for goods and other exports. A stock of silver in the Bank is convenient to our trade, particularly with India and China; merchants often require that metal as a remittance, and would have to send to the continent for it at a greater expense, if they did not find a supply at the Bank. It can never suit the Bank to hold silver bullion in the banking department; if ever it should do so, it will be an exception, and not the rule. It is possible, from some unforeseen circumstance, that gold may become more valuable on the continent than its present relative value in silver; in which case, gold might be withdrawn from the Bank and replaced by silver to a large amount. To prevent this being carried to an inconvenient extent, it might be well to limit the issues against silver to one-third of the whole of the issues against bullion. Would it not be better to legislate that the issues should be made against bullion, leaving it to the responsibility of the Bank direction, whether those issues should be against gold or silver?"

2708. Are you still of the same opinion as you have there expressed?—Yes, I am.

2709. Mr.

2709. Mr. Disraeli.] Has that paper been printed?—Sir Robert Peel quoted a part of it in his speech; but instead of adopting the proportion there recommended of one-third, he adopted the proportion of one-fifth.

2710. Chairman.] Is it your opinion, that it would be desirable to allow the Bank to receive silver to the amount of one-third, or would you leave it unlimited?—I do not think that any great inconvenience has arisen from the restriction to one-fifth; there was a period in April when it was difficult to sell silver; the Bank was afraid to purchase it in consequence of losing gold, and the proportions being very near; but I believe it was only about 20,000 *l.*; therefore, it was not of much consequence; but still I do not see any difficulty in allowing the Bank to hold one-third in silver.

2711. Lord George Bentinck.] Was there not some silver coin from the north of Ireland?—With silver coin we have nothing to do; we take silver coin in order to make small payments, but the Bank is no more obliged to take silver coin than any other bankers.

2712. Sir William Clay.] You never take it in?—Yes, we have taken it to so large an extent that we have been overdone with it sometimes; we have had 200,000 *l.* when we did not want more than 50,000 *l.* or 60,000 *l.*—(Mr. Prescott.) We have never issued notes upon silver coin.—(Mr. Morris.) It goes into the banking department.

2713. Chairman.] (To Mr. Prescott.) Do you concur in the opinion that it would not be advisable to relax the restriction of the Act of 1844?—I do not think it is at all called for; I am content with the arrangement as it stands at present.

2714. There are 14,000,000 *l.* of notes issued now upon securities; do you consider that sufficient?—(Mr. Morris.) I think it is quite sufficient.

2715. You would make no alteration in that respect?—Certainly not.

2716. Do you consider that the provisions of the Act of 1844, with reference to the issues of the country banks, have been advantageous to the circulation of the country?—Extremely advantageous.

2717. Are you of opinion that the Act of 1844 has contributed to secure the convertibility of the note?—Yes, I am.

2718. Do you think it would be advisable to introduce any provision in the law, giving either the Government or the Bank the power of suspending the restrictive limit in case of difficulties?—I think it would not be desirable.

2719. Do you consider that under those circumstances the Act can be enforced?—Yes, I do; I think there may be certain occasions, such as those in October last, arising from panic, which it is impossible to provide for by legislation; but there is always the resource, as on the last occasion, of the Government interfering, and they did that on their own responsibility, which the Bank were not allowed to do by Act of Parliament; but if the Government had the power of interfering, I am afraid that in April, in consequence of the representations made to them, they might have been obliged to relax the law, and I think in October they would have been forced to relax sooner than they did, and that that would have been very detrimental.

2720. You state that, in case of panic, circumstances might arise in which it would be necessary to relax the restriction of the Act?—I meant to state, that it is impossible to legislate for a state of panic.

2721. Do you conceive that in times of panic the Act would work, or do you conceive that it would be necessary to have some relaxation, either as it was exercised in October, or under some legislative authority?—I think that must be left entirely to the circumstances of the case; I think you cannot legislate for a panic; a panic arises from a want of reasoning; therefore it must be left to be dealt with according to the circumstances of the time.

2722. From your experience, are you not of opinion that a panic will arise in a time of difficulty?—Yes, it may arise.

2723. When it arises will the Act stand?—I am bound to say, that the letter of the Government produced the effect which was expected; it stayed the panic; but I must also say, that I am not sure that the panic might not have subsided even if the letter had not been issued; certain failures would have taken place; but failures have also taken place since the relaxation of the law.

2724. I am not quite sure whether I understand your opinion to be, that the Act could stand, or that it could not stand?—I should like to try the Act; I do not think it would be well to make a legislative provision for a case of panic;

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if a panic arises, it will be sufficient time for the Government to interfere if they think fit; but if they have power under an Act of Parliament to interfere, I am afraid they will be driven to interfere when it is desirable that they should not do so.

2725. That is as to the expediency or otherwise of introducing a legislative enactment; but do you think that it would be practicable to carry the Act through in such circumstances as you, since you have been in the direction, have experienced?—Yes, I think the Act could be carried through.

2726. You think that the Act, supposing it had been in operation in 1837 and 1839, would have stood?—Yes.—(Mr. Prescott.) The pressure in 1837 and 1839 was not, in my opinion, so severe, nor did it so much affect the currency, as that in 1847.

2727. The amount of bullion was reduced in 1839 much lower than it has been since?—Yes, it was.

2728. What do you attribute that reduction in the bullion to?—I am of opinion, that if the Act of 1844 had been in force at that time, the bullion would not have been reduced to so low a point.

2729. You think that the Bank would have been compelled to take earlier measures?—Yes.—(Mr. Morris.) I think that one great advantage of the Act of 1844 has been to oblige the Bank to take earlier measures than they otherwise would have taken.

2730. Is the Committee to understand that in case of a panic you do not think any extraordinary measures would be necessary?—I think they would not be necessary.

2731. You think that the mode of dealing with a panic is the mode pointed out by the Act, without any relaxation?—Supposing a panic to arise similar to that which occurred in October last, I would leave the responsibility of dealing with it to the Government for the time being, rather than give them authority to do so by law.

2732. You stated, that the effect of the Government letter was immediate in allaying the panic?—Yes, it was.

2733. Looking back to 1825, and other occasions, are you of opinion that that has been before the effect of an enlargement of issues?—I was not in the direction in 1825, but speaking from my general recollection, I should say that there was a very large extension in the issues of the Bank of England; but at the same time there was a great destruction of the internal circulation, as regards the paper of country banks; therefore, as it was merely the substitution of Bank of England paper for paper which was before issued by country banks, it was but substituting one sort of paper for another.

2734. Then there was a double cause restricting the circulation, viz. the notes of the private banks becoming waste paper, and besides that, there was also a panic?—Yes, the bullion in the Bank had been reduced to 1,000,000*l*.

2735. If a panic arises, do you think that an enlargement of the issues is any benefit in allaying that panic?—Certainly; I consider that an enlargement of the circulation would allay the panic, but I think it is much better to allow a panic to subside of itself. I am supposing a panic, such as we had in October, in which there was very great commercial discredit; no one knew, with some exceptions, what houses to trust, and naturally people were keeping large reserves for the purpose of meeting their own engagements; my impression is, that the high rate of interest, the interest then being 8 per cent., would by degrees have brought capital into the country, and that the amount of circulation which had been hoarded would have been brought into activity again, and the panic would in that way have cured itself.

2736. An opinion has been given to the Committee that a panic can only be arrested by an enlargement of issues; is that your opinion?—No, I think not; I consider that, generally speaking, a panic soon cures itself.

2737. If I gather rightly from what you have stated, your impression would have been, that the letter in October need not have been issued?—I stated that the letter produced the effect that was contemplated, but I am not prepared to say that if the letter had not been issued the panic might not have subsided, though perhaps not so immediately.

2738. Was there any inconvenience arising from the issue of the letter?—No,
I think

I think the rate of interest being fixed as high as 8 per cent. prevented any inconvenience.—(Mr. Prescott.) The inconvenience was chiefly in forming a precedent which might lead to the issue of a similar letter under less urgent circumstances.

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2739. But there being no inconvenience from the issue of the letter, do you not consider that it was better to issue the letter than run the risk of more pressure?—(Mr. Morris.) I think it might be better.

2740. Would the same reasoning apply to the other panic?—As the Deputy-governor has just stated, if the Government once had it in their power to issue a letter of that kind, it is probable that a letter might be issued at an earlier period than it would be, supposing the Government issued it upon their own responsibility.

2741. That is with regard to the expediency of giving power by the law to the Government; but the question is a question of fact, whether it would not be better under similar circumstances to have recourse to a suspension of the law, let it be upon the responsibility of the Government, than to run the risk of the difficulties which might occur during the time of things coming right of themselves?—Yes, I should say so.

2742. In the case of such a pressure and such a panic as we experienced in October, you would be of opinion that it was more expedient that the law should be suspended?—I should, with reference to October, still guarding myself by saying that I am not certain that we might not have got through without issuing the letter.

2743. Do you believe that there would have been any inconvenience in October from issuing Exchequer bills?—I think it would have been difficult to have issued Exchequer bills, Exchequer bills being at that period at a considerable discount; Exchequer bills on the 23d of October were from 30s. to 37s. discount.

2744. Your objection to the issue of Exchequer bills at that time was from the state of the Exchequer bill market?—Yes.

2745. Supposing that measure were not to be taken, you do not see any other measure that could be advantageously taken but the one that was taken?—Decidedly not; if any measure were to be taken, I should say that the measure taken by the Government was the better one, except for the precedent that it affords.

2746. What was your opinion of the rate of interest that the Government fixed?—I consider that the Government were quite correct in fixing the rate at 8 per cent.; at that moment the exchanges were in favour of this country; bullion was coming into this country, and the rate of interest in different parts of the continent was as high in Amsterdam and Hamburg as 7 per cent.; the object therefore was to fix such a rate of interest, that instead of checking the influx of the precious metals into the country, it should encourage it; and the high rate of interest had the effect of bringing capital into this country.

2747. It has been stated that some of the difficulties experienced in 1847 arose or were aggravated by the deficiency bills of the Government; will you have the goodness to state to the Committee whether, in your opinion, the deficiency bills under the Act of 1844 created any difficulty in the Bank?—No, they did not; I consider the providing for the deficiency bills to be entirely a matter of management; we have always sufficient notice by the Government what amount of deficiency bills will be required at the end of the quarter, and even if we have not that notice we can judge from the state of the Exchequer how the revenue is coming in, and we can form an opinion of the amount likely to be required to meet the Government wants; therefore we must take care to have a sufficient amount of securities going off at the period at which we shall have to advance upon deficiency bills; it will be merely an exchange of securities.

2748. There was no difficulty created to the Bank in April by the deficiency bills?—I am not sure whether the Bank paid sufficient attention to the deficiency bills, though having sufficient notice there ought to have been no difficulty in providing for them.

2749. Any difficulty which did arise, arose from the Bank not having paid sufficient attention to it, and not in consequence of the deficiency bills themselves?—Exactly.

2750. In October they did not find any difficulty?—In October there were not any deficiency bills.

2731. You had large balances and no deficiency bills?—Yes; before the period of

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of paying the dividend, we lent out money to be repaid to us within such a time as would provide for the dividend.

2752. You were obliged to make nearly the same arrangement if you had a large balance in your hand as if you had a small balance in your hand?—Yes.

2753. As far as regards the Bank's convenience, it does not signify whether they have to provide for deficiency bills, or to make an arrangement to employ a surplus?—No, it does not.

2754. You have mentioned that considerable assistance was given by the Bank in October; was there any assistance given to Scotland upon that occasion?—We assisted one joint stock bank to the extent of 200,000*l.* and discounted their bills to the extent of 60,000*l.* more, and we gave assistance to another joint stock bank to the extent of 100,000*l.*; those were the only applications we had.

2755. Mr. Hume.] On what security was that?—(Mr. Prescott.) On the security of bills of exchange, partly what are called local bills of exchange, which mean bills of exchange payable in Scotland, and partly on bills payable in London.

2756. Chairman.] Would you suggest an alteration in the Act of 1844, or are you satisfied with the Act as it at present stands.—(Mr. Morris.) I am quite satisfied with it as it stands.

2757. (To Mr. Prescott.) Is that your opinion?—No improvement has occurred to me which I can suggest.

2758. (To Mr. Morris.) With regard to silver, you would have an alteration?—There is very little inconvenience as the law stands at present; but if a Bill were brought into Parliament, there might, I think, be some extension given with regard to the limit of advances upon silver.

2759. Have you anything further to add?—It has been stated out of doors, that the Bank was not in a position to maintain itself, if the Government letter of October had not been issued; now my reason for saying that the Bank was perfectly able to maintain its position is this, our balance at the period when we were responsible for the state of the reserve, was 2,376,000*l.*, that is on the Friday; I am speaking of the period at which we, the Governors of the Bank, were responsible for the maintenance of the law.

2760. On Saturday the 23d, you acted under the influence of the letter, which you expected the Government to issue?—Yes.

2761. Mr. Herries.] One million, six hundred thousand pounds was the amount of the reserve in London?—Yes; we had bills going off to the extent of a million and half a week; if instead of discounting to that extent we had discounted to about half the extent, we should have added 800,000*l.* to the reserve, and the revenue was coming in to the extent of 300,000*l.* a week; therefore we should have had no difficulty whatever in strengthening our reserve, and we might still have given a certain amount of accommodation to the public.

2762. Chairman.] You say, "A certain amount of accommodation to the public;" would you have been obliged to limit your accommodation to the public?—We might have given accommodation to the amount of 800,000*l.* a week, or 100,000*l.* a day.

2763. Mr. Hudson.] Instead of a million and a half?—We had a million and a half going off, but it does not follow that we were discounting to the extent of a million and a half a week; but there were a million and a half coming in for two successive weeks.

2764. Mr. Alderman Thompson.] And you might have discounted to half that amount?—Yes.

2765. Sir William Clay.] Does your statement include the gold and silver in the banking department?—Yes.

2766. Chairman.] It has been suggested to the Committee, that instead of raising the rate of interest, it would be expedient for the Bank to limit the *advance* of the bills that it discounts; what is your opinion upon that?—I think it is much more desirable for the Bank to raise the rate of interest; because if you limit the *advance* of the bill, you throw great difficulty in the way of the negotiation of bills which are beyond the Bank's period of discount; I think it is better for the Bank to put on an additional rate of interest, so that parties holding bills of 95 days may have the means of discounting them at a certain rate.—(Mr. Prescott.) By raising the rate of interest, you distribute the pressure over a greater number of parties, while by limiting the time that the bills

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that you discount are to run more than we do under our present regulations, you would make the pressure fall more severely on particular classes who happen to hold those bills that have a longer period to run.

2767. Would it fall upon particular trades?—Yes; it would fall particularly heavy on the India bills, which are drawn at six months' sight or 10 months' date.

2768. Then I gather that you concur in the opinion that it is much better to raise the rate of interest than to diminish the *advance* of bills that you discount?—I do.

2769. Do the Bank fix a differential rate upon the bills according to the length of time that they have to run?—It is not the usual practice of the Bank to fix a different rate of interest upon bills according to the time that they have to run, but it was done during the pressure in October.

2770. What was the reason of that?—It was adopted as an additional method of protecting the Bank from the calls made upon it.

2771. Would not that be open to the same objection as you have stated, to the limiting of the *advance* of bills discounted by the Bank?—No, I think not, because the bills were not excluded; we took any bills within the period of 95 days. The Bank was desirous to lend out its money for such a period as to enable it to meet the dividends that were becoming due; therefore it gave greater encouragement to bills which had a short time to run than to bills which would be payable after the dividends became due.

2772. You had a reluctance to take them, but that was overcome by the increased interest that was paid?—Yes.—(Mr. Morris.) It was not only that, but the dividend had to be met; therefore we discounted bills which came within that period at a lower rate than bills which ran beyond the period at which the dividends became due.

2773. Mr. Herries.] You have explained to the Committee the state of the Bank on Friday the 23d of October; you have stated also in what mode, according to your judgment, the difficulties of that period might have been encountered by the Bank without the interference of Government; did you explain to the Government all those circumstances, and state to them in what way you thought you could encounter those difficulties; and was it after that communication that they still persevered in issuing the letter to which we have adverted?—As far as my recollection bears me out, I should say we stated to the Government that, as far as we were individually concerned, we did not require any relaxation for our protection; whether we went into any details or not I do not recollect.

2774. You use the expression "individually concerned;" what do you mean by that?—I mean to say, that to enable the Bank to maintain the banking department, it was not necessary that any interference on the part of Government should take place.

2775. Do you think that the Bank could have continued to perform all those functions which have reference to the public and to its own interest, without any interference of the Government, under the circumstances of panic which then existed?—Yes.

2776. You stated that the reserve at that time which you had deposited in London was about 1,600,000 *l*.?—Yes.

2777. Are you of opinion that with that 1,600,000 *l*. and such an addition as you could have procured by the sale of securities or any other means, you could have answered all the demands that might have been made upon you in a time of panic?—I cannot say that we should have answered every demand that might have been made upon us, because parties might have made application for loans, and we might not have been able to make them, but up to that period we had never refused to discount a bill coming within the 95 days, except when of doubtful quality.

2778. Could you have answered all the demands of those who had claims upon you?—Yes, we could.

2779. Would the 1,600,000 *l*. with those resources which you expected to come in, have amounted to anything like the sum that might have been demanded of you by depositors?—I have a statement here of the amount of private deposits during times of panic, and so far from private deposits being reduced at periods of panic, the tendency of the private deposits in time of panic is to increase, therefore I had no fear of the private deposits being drawn from us.

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2780. But you stated that you had 3,200,000 *l.*, but that panic existing at a subsequent period, the reserves were reduced altogether both in town and country to 1,600,000 *l.*?—That was at the time when we were acting in accordance with the Government letter.

2781. Then the panic decreased the reserve?—Yes.

2782. If your reserve were greatly diminished by the panic, and your deposits were increased, did not that rather add to the difficulty you might ultimately be under of meeting the demands of those who had claims upon you?—We have always found by experience, that at such times the general claims made upon us are not from deposits, but from those who come for advances not having deposits.

2783. There are some claimants upon you, who in time of panic, supposing you had no other means of satisfying them, you must have paid in notes?—Yes.

2784. Should you have had notes to pay them?—It would have been difficult at the time to have borrowed upon Consols; but we might have gone into the market and sold Consols to the amount of 1,000,000 *l.*

2785. What would have been the effect upon the market if at the time we are alluding to, in the then state of the public mind, you had gone into the market (your condition being known by the public, by means of the weekly publications) and had sold public securities?—The effect would have been to strengthen our reserve.

2786. What would have been the effect upon the public securities?—The effect upon the public securities would have been to reduce the value of the securities; money was extremely scarce, and if we had gone into the market and sold 1,000,000 *l.* Consols we should of course have created a fall in the market; it might be to the extent of 1 or 2 per cent., but we should have sold 1,000,000 *l.* of Consols, not in a day, but in the course of a week; even supposing they went down 5 per cent., our first duty is to maintain the reserve for the purpose of meeting the liabilities upon us, and we should have taken notes out of the market, perhaps not to the whole extent, but for a considerable portion of the amount of the securities sold.

2787. Is it your opinion, as a person well acquainted with the mercantile mind of London, that under such circumstances, adverting to what you know to have been the public feeling at that time, you really could have sold securities to such an amount as you have mentioned, and reduced the value of securities only 1 or 2 per cent.?—I corrected myself by saying 5 per cent.; I put the question distinctly to the party, who is employed in selling the public securities for the Bank, and I have again repeated it to him, and he stated that we should have been able to have sold in the course of a week Consols to the amount of 1,000,000 *l.*, without producing any very great fall in the market.

2788. There were two periods of difficulty in the year 1847 to which we have adverted, one was in April, and the other in October; I think you have stated that in April, the Bank had recourse to the expedient of borrowing money upon Consols?—Yes.

2789. Is that a usual practice with the Bank?—The Bank has in former periods borrowed upon Consols.

2790. Since the Bank Act of 1844?—Since the Bank Act of 1844, and I am not sure whether it did not do so previous to the Bank Act of 1844; it was not a new measure on the part of the Bank.

2791. Without that resource, you would not have been able to meet the difficulties of April 1847?—We maintained our reserve in April 1847, by borrowing upon Consols.

2792. In October, you did not have recourse to that expedient?—In October, we sold a certain amount of securities; before the Government letter was out, we sold 200,000 *l.* of Consols for the purpose of maintaining our reserve.

2793. Not more than 200,000 *l.*?—No, it was a small transaction.

2794. It was not adequate to the purpose you had in view; it was not a sufficient sum to enable you to pass through the difficulties which you had before you?—I beg your pardon; I stated that we were always in a position to pass through the difficulties, up to the 22d of October, the period for which we were responsible; I stated that we should have been able to have maintained the solvency of the banking department.

2795. Even if there had been a great action upon your reserve, by reason of the

the panic that then existed?—I cannot say to what extent that action may have been, but looking to the experience of all former periods, I should say that we could have met any action which might have taken place, comparing it with any that had taken place at former periods.

2796. Was it not the apprehension of that action, and that alone, which rendered necessary the interference of the Government?—My impression is, that the Government had other objects besides the protection of the Bank; the object of the Government was not to assist the Bank, for they were told that the Bank did not require it.

2797. There was great commercial distress at that time, which arose from other causes; it became a panic at that time; what occasioned the conversion of that commercial distress into a panic?—The numerous failures which had taken place in the corn trade was one cause, and there were other causes which I have enumerated to the Committee.

2798. Was it not an apprehension of the Bank of England being drained, from the low state of their reserve?—I think it arose much more from the panic existing in consequence of the commercial discredit.

2799. Between commercial discredit and panic there is a wide difference; the panic is what I now wish to address myself to, and to beg you to confine your attention to; the commercial discredit was converted into a panic, and it is generally believed, that the panic arose from an apprehension founded upon the returns of the Bank of England, indicating a rapid diminution in the reserves; are you of opinion that that had any effect in producing the panic?—I think that the weekly publication of the reserve at that time may have alarmed the public; there had been a considerable panic in the country; but we were getting through it, and, I believe, there would have been no occasion to issue that letter but for the failure of the Royal Bank of Liverpool.

2800. When do you apprehend the panic began?—I think that the panic may be dated from the beginning of October.—(Mr. Prescott.) I should say, the most active cause of the panic was the stoppage of the eminent discount brokers that have been alluded to, Messrs. Sanderson & Co.

2801. When did that take place?—(Mr. Morris.) In September, soon after the failures in the corn trade, which commenced in the latter end of August.

2802. Was there a panic prevailing from September to the latter end of October?—There was very considerable panic after Sanderson & Co. stopped; we had the failure of houses of considerable standing, that were doing a large amount of business; Reid, Irving & Co., and several others, and that produced a very considerable degree of alarm.

2803. *Chairman.* When did the drain for gold for internal purposes begin?—I see that we lost, between the 14th of August, and the 30th of October, 2,300,000 sovereigns; there was no export at that period; therefore, that arose entirely from internal demand.

2804. *Mr. Herries.* The effect of a panic is to create, is it not, a demand for gold for internal hoarding?—No, not to any great extent; the amount of notes which were issued to the public in the same period was 2,754,000 *l.*; that was between the 25th of September and the 30th of October; therefore the drain for gold was not more, in proportion, than the demand for notes.

2805. Your stock of gold diminished very considerably between the months of May and October?—On the 1st of May we had 9,338,000 *l.*, and it went up on the 29th of May to 10,170,000 *l.*, and on the 3d of October it was 8,429,000 *l.*

2806. In the mean time you had purchased gold?—Yes.

2807. Will you state how much you had purchased?—We were buying gold in April, May, June and July 1847; the bar gold and foreign coin received at the Bank from Europe was about 900,000 *l.*, and 200,000 *l.* from South America, together 1,100,000 *l.* of gold.

2808. You were purchasing bullion at the time from abroad, and nevertheless there was a diminished stock of gold?—During the same period we sold 90,000 *l.* of gold.

2809. The balance upon your purchases and sales of bullion was greatly in favour of the purchases?—The export to America did not cease till the middle of August 1847; though we were purchasing gold from the continent, there was a considerable export to America.

2810. Looking to your transactions, your purchase of bullion from abroad considerably exceeded the export of bullion within the period to which we are

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James Morris, Esq. advertising?—It is difficult for me to say what was the amount of export at that period.
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2811. The diminution of your stock of gold, which took place in the period between May and October, was considerable?—If you wish to know the amount of the internal drain, probably the return I have here will show that. It gives the amount of sovereigns which were issued by the Bank at the period when no export was taking place; the internal drain was about 2,200,000 £.

2812. What do you imagine to have been the cause of that internal drain?—One cause would naturally be, that parties were sending gold into the country for the purpose of strengthening their reserves, and also that parties were hoarding money, and persons hoarding under 5 £. must hoard gold.

2813. What would induce parties in the country to strengthen their reserves or to hoard; is there any other cause but apprehension?—Not apprehension of discredit of notes, but panic, in consequence of not knowing whom to trust.

2814. My question had not reference to a discredit of notes, but I wish to know whether general apprehension did not exist owing to commercial discredit at the period to which we have adverted?—Yes.

2815. Has not a panic necessarily the effect of inducing a great hoarding of gold, and strengthening the reserves in the country?—Yes.

2816. Has then the raising of the rate of discount, which is an indication on the part of the Bank of an intention to withhold or to diminish its accommodations, the effect of increasing the apprehensions of the holders of gold and money in the country?—The act of the Bank in raising the rate of interest, instead of increasing apprehension, ought to diminish it, and to increase confidence, inasmuch as it makes capital valuable, and attracts foreign capital and bullion into the country.

2817. Has not a pressure upon the commercial community, by raising the rate of interest, taken in combination with the manifest diminution of the reserve of the Bank, a tendency to diminish the apprehension in the country?—The reserve in the Bank was known to the public, and therefore, whether the rate of interest was high or not could make little difference; but I should say, that the higher the rate of interest the less alarm there ought to be, because the public knowing the position of the Bank, would see that the Bank were taking means to put themselves in a better position.

2818. Is it your opinion that the exercise of the pressure by the Bank, raising its rate of interest, is equally applicable in cases of a demand for gold for internal hoarding apparently arising from apprehension, as it is in the case of an export of gold to foreign countries?—I consider that the demand upon the banking department, whether it arises from foreign export or from internal demand, must be dealt with in the same way; we have a certain amount of liabilities, and we are bound to keep a certain amount of reserve to meet them, and whether the reserve is acted upon by one cause or the other, we are bound to take the same means to protect ourselves.

2819. That is under the Act of 1844?—Without reference to the Act of Parliament.

2820. Would the Bank of England, if wholly unfettered by the Act of Parliament, exercise any discretion with reference to the different causes of abstraction of gold from the Bank?—The only discretion which we should exercise would be this: an internal drain might cease at almost any moment, but an external drain, we know, is likely to cause a contraction of the circulation, and money is likely to become dearer, and therefore we are bound to look forward to a longer period before things will right themselves; I do not wish to lose sight of the action of the exchanges upon the circulation of the country, which would affect our reserve in the same way as it affects the reserve of any other bank.

2821. If there existed apprehension in the country, which caused hoarding, and an abstraction of gold from the cellars of the Bank, would not freedom of action on the part of the Bank, in such a case, rather tend to dissipate the apprehension and prevent a continuance of the action upon the gold?—Not with persons of reflection, if they thought that the Bank was giving way merely to meet an unreasonable demand.

2822. Is it not a question of confidence, and whether the measures which are taken have the effect of creating a want of confidence, or restoring confidence?

—I believe

—I believe the panic was created, not by a want of confidence in the Bank, but a want of confidence in individuals. *James Morris, Esq., and H. J. Prescott, Esq.*

2823. I meant a want of general commercial confidence; a want of general commercial confidence creates a disposition to hoard?—Yes.

2824. And the dissipation of that want of confidence would induce parties to

bring out their hoards again, or not to increase them by drawing upon the Bank?—The advance of the rate of interest by the Bank would be an inducement to those parties to bring out their money for the purpose of employing it advantageously, and would be a better means of relieving the pressure than any additional facilities that the Bank might give.

2825. Do you think that the inducement to employ money at a higher rate of interest would counteract an apprehension founded upon panic which has the effect of inducing men to hoard?—We are now speaking of hoarding; that is persons laying by money which they do not at the moment require, in consequence of panic; raising the rate of interest gives a greater chance of the panic being allayed, and of the money returning into circulation.

2826. Your opinion is that the Bank should act without reference to the causes which diminish the stock of gold?—I consider that the Bank is bound to take measures to strengthen its reserve, whether the demand made upon it is a foreign demand or an internal demand.

2827. You have stated that you have reason to believe that the present commercial distress of the country, or that which arose in the last year, is likely to be remedied more speedily than others which have arisen?—I think so.

2828. Do you see any symptom of that at present?—Yes, I do; I can only refer to the state of the money-market; at the present moment money is scarcely worth anything; the reaction, as far as the value of money is concerned has been infinitely more rapid than that which took place in 1825, 1837 or 1839.

2829. You say that money is at this moment scarcely worth anything; do the Committee understand you to refer to money advanced upon good securities?—Generally speaking, I think it is difficult to employ money at any good rate of interest in London; and I have seen a letter from Liverpool this morning, in which it is stated, that money is plentiful, and that nobody knows how to employ it.

2830. Does a difficulty in employing money indicate a prosperous state of commerce?—No; but when money becomes plentiful, by degrees it goes into those channels which are the means of improving commerce.

2831. Is it not rather an indication of the reverse of prosperity?—One cause of a great supply of money is the large importation of precious metals, by which the circulation of the country is considerably increased; we have now nearly 15,000,000 *l.* of bullion; therefore, comparing that with the period at which we had not more than 8,000,000 *l.*, it would be a difference of 6,000,000 *l.* or 7,000,000 *l.* of circulation in the country.

2832. Is it your opinion, that having a great quantity of money, and not being able readily to employ it, is an indication of a satisfactory state of commerce?—No, it is not.

2833. I ask you, then, not whether money is plentiful in the country, in the way you are now stating, but whether you think commerce is at this moment reviving so rapidly as you, according to your former answer, appeared to think?—Our letters from Hull, within the last two or three days, stated that there was a very general improvement in the state of business; since then they have reported to us that but for the events which have taken place in France, and the probability of similar events taking place in Germany, they had every prospect of an improvement in business.

2834. Is it your opinion that commerce is at this moment in a very active and flourishing state?—No, it is not in a very flourishing state, but it appears to be reviving now more rapidly than was the case after the other periods of panic.

2835. *Sir William Clay.*] But perhaps you consider that whether commerce be reviving or not, is not the business of the Bank; your answer was in reference to the question, whether the state of the money-market was relieved more rapidly since the Act of 1844 than it had been before?—I should say certainly it was relieved more rapidly.

2836. *Mr. Herries.*] But your former statement referred generally to the commercial condition of the country?—I stated that my impression was, that the

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the general commercial state of the country was reviving more rapidly now than it had done at former periods of extreme panic.

2837. And you had not reference to the condition of the Bank?—I was speaking then more as a merchant than as Governor of the Bank of England.

2838. You stated that one effect of raising the rate of interest was to bring foreign capital into the country?—Yes.

2839. Did it do so?—Yes, it did.

2840. Can you trace it at all?—From Russia a very considerable amount of gold came into the country; I forget the exact amount. The parties who brought it in told me that the importation was based upon the employment of the money here at 8 per cent. interest.

2841. How soon was that after the rate of interest was raised to 8 per cent.?—Parties were importing gold during the time that we were discounting at 6 and 7 per cent., but latterly, when gold became scarce, they exerted themselves still more to bring it.—(Mr. Prescott.) It is more particularly English capital which had been employed abroad, than foreign capital, that comes in on these occasions, and which, I believe, to have come in last year.

2842. Had it any effect in bringing gold in from the country?—(Mr. Morris.) I do not know whether it had the effect, or not, but I think at that period gold did come back from hoarding.

2843. Which hoarding had increased from apprehension?—Yes.

2844. The removal of the apprehension probably released part of the hoards?—Probably it did.

2845. You stated, in the early part of your evidence, that the banking department was acting as any other bank would do, and was limited just as any other banking company would be?—I think I stated that the banking department was bound to act in the same way as any other banking company, always considering the great power we have from having Government deposits; but in every other respect I consider the banking department of the Bank of England is to be managed in the same way as any other private bank.

2846. I advert to the words "limited as any other banking company?"—I did not mean to make use of the word "limited," I meant to say that the management of the Bank of England ought to be conducted on the same principles as the management of any private bank; I did not mean to attach any importance to the word "limited."

2847. You meant regulated?—Yes.

2848. The Bank of England is limited, with regard to its issue of notes on credit, in a way which other banking companies are not?—I am not aware of that.

2849. You cannot issue more than a certain number, except in exchange for gold?—That is in the issue department; we have nothing to do with that.

2850. In the banking department you are limited to 14,000,000 *l.*; you cannot issue notes beyond that?—In the banking department we have nothing to do with the 14,000,000 *l.*; the Bank is divided, by the Act of 1844, into two parts; in the issue department we are allowed to issue 14,000,000 *l.* upon securities.

2851. You cannot create any notes in the banking department?—No.

2852. Then you can only issue what notes you have in your possession at the time?—Exactly, notes arising out of deposits in the banking department.

2853. You can, therefore, issue no monies except such as you have in your reserve; the banking department cannot, by means of their credit, increase their issues from the banking department?—No.

2854. But other banks are not limited in that respect with regard to the advances which they may make; they are limited with respect to the notes which they may issue of their own, but they are not limited with respect to their power of making advances with notes of the Bank of England if they think proper?—They can only obtain Bank of England notes in the shape of deposit, in the same way as we obtain them; I do not see any difference.

2855. There is a certain limitation upon you; you cannot create notes in the banking department, and if you have them not, you cannot advance any notes from the banking department?—No.—(Mr. Prescott.) We are in the same position as any other bank; our power of advancing is limited to our capital and our deposits, and every other bank in England is, I believe, exactly in the same position.

2856. Every

2856. Every other bank in England is limited by its discretion with respect to its issues upon its capital, but I wish to draw your attention to the provision which restricts the banking department of the Bank of England, under any circumstances, from issuing any other notes than those which are paid into it, and which form part of its reserve?—(Mr. Morris.) In addition to our issues of notes we have our post bills, in which there is no limitation, they generally range about 1,000,000 £, but independently of that, any other advances that we make are out of our capital and deposits.

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2857. You are aware that the whole difficulty which occasioned the alarm in October 1847, arose out of the knowledge, that unless you had notes in your banking department you had no other means of giving assistance to the public, and no other means indeed of paying the demands upon you; you could not create notes for the purpose; you had no power of issuing notes upon credit in the banking department?—But we always have the power of taking notes out of the market by selling securities, that is the only alternative.

2858. By reason of this limitation, it was that at the period to which we have adverted, you had no alternative, supposing demands to have been made upon you to an extent of 1,500,000 £ or 1,600,000 £, than that of selling securities in the market, or borrowing notes upon the credit of the securities?—That was the only resource we had.

2859. The knowledge of the fact that that was the only resource you had, was, I apprehend, the cause of the alarm that existed in the public mind at that time?—I think not, because the same state of things existed in April; there was a period when our reserve was extremely low, and when parties applied to us and the Bank refused to give accommodation; but notwithstanding that, we got through without any panic.

2860. Was there no alarm in April?—There was an alarm but not a panic; there were no failures.

2861. Was there no expectation, then, on the part of the Bank, that Government might be called upon to interfere?—I believe that parties applied to Government for interference, but, fortunately, Government did not accede to the application, and we got through, comparatively speaking, without much difficulty.

2862. That application to Government was one proof that alarm did exist?—There was an alarm, which lasted for a short period, but it subsided of itself.

2863. Were not there great apprehensions, not only in London, but in different parts of the country at that time?—I believe, at Liverpool they were alarmed, but there seemed to be no good reason for it.

2864. Mr. Hudson.] Was there not a circular addressed by the Bank to their agent at Liverpool, cautioning him to curtail his issues?—Yes, in April there was.

2865. The result was, that a deputation came up from Liverpool?—Yes; there was a circular on the 9th of April to the branches, referring to the raising the minimum rate to 5 per cent., and the agents were informed, that the object was to diminish the amount both to bankers and traders; and those bankers, whose accounts at the Bank were heavy, were to receive discounts to one-half the amount falling due weekly; but a general discretion to exceed this proportion was allowed to the agent.

2866. The result of the understanding which your agent in Liverpool received was, that he was instructed to reduce the accommodation that had been granted to the banks to one-half?—Yes, he was to re-discount half the amount.

2867. Mr. Alderman Thompson.] How long did that continue in force?—Only a very short time.

2868. Mr. Hudson.] We have it in evidence that you relaxed immediately?—Yes; I may, perhaps, be allowed to state what the amounts were; according to our contracts with the different banking houses in Liverpool we engaged to give them at a certain rate of discount 565,000 £; on the 2d of January the amount they had on discount was 670,000 £, that was an addition of 100,000 £; on April the 3d, we had given them 1,508,000 £; on the 10th of April, 1,583,000 £; on the 17th of April, 1,490,000 £; on the 24th of April, 1,408,000 £; on the 1st of May, 1,331,000 £; and on the 8th of May, 1,411,000 £; about that period, I think, the alarm had ceased.

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2869. Can you state when the circular was withdrawn?—We did not withdraw the circular, but deputations came up; we received the deputations, and it was stated to them that we would give them a further relaxation for the purpose of carrying them through their difficulties; they stated that they always looked to London for their discounts, and for the purpose of not putting them to serious inconvenience, we relaxed.

2870. Is it not rather extraordinary for the Bank, where they have no doubt of the solvency of an individual to whom they have been giving accommodation to the extent of 50,000*l.*, suddenly to tell him that his accommodation must be curtailed immediately to 25,000*l.*, and would not such a course as that be justified only by extreme circumstances?—The party who had had 50,000*l.* granted to him never had an engagement that he should have it renewed; as far as the engagement to the banks at Liverpool went, they were entitled to 50,000*l.*, which we renewed as a matter of course; with respect to further advances, that was entirely optional on our part, and therefore the parties could not say that it was hard that we should not grant them additional assistance; they were bound to take care of themselves.

2871. I am aware that in transactions of this kind there is no positive engagement, but there is that general good understanding between the parties, that an accommodation which has been continued for some months shall not be suddenly withdrawn, unless there are some circumstance in the condition of the party granting the accommodation which justifies them in taking that course; were there some circumstances in your position which induced you to issue that circular, curtailing the accommodation which had been enjoyed for months past by the banks to half?—The circular was issued in consequence of the low amount of reserve in April, which was 3,000,000*l.*; but in point of fact, the same accommodation, or very nearly the same accommodation, was granted to those parties, notwithstanding the circular had been sent to them.—(Mr. Prescott.) The reason given for the issue of the circular was, that the Bank reserve had been reduced; and an additional reason was, the great pressure from all other quarters upon the Bank from the state of the money market.

2872. Was there not an application made to you by the Chancellor of the Exchequer for a considerable amount in April?—(Mr. Morris.) I think the deficiency bills were 3,500,000*l.*

2873. In consequence of that application, were you not obliged to curtail the accommodation that had been given to the banks in Liverpool, and other parties?—No; it was not in consequence of that application.

2874. What made you take the step of going to the market and borrowing 1,200,000*l.* on Consols, which was the cause of your being obliged to issue the circular to your branches, restricting the discounts, if it were not owing to the deficiency bills?—It arose from the Bank having discounted bills which fell due in May, instead of bills due in April, the period at which the dividend was to be paid.

2875. Suppose the Chancellor of the Exchequer had not required that accommodation, would you have been induced to take the course that you did take?—Yes.

2876. What is your opinion upon that?—Knowing that a certain amount was to be paid on account of the dividends, it would have been more prudent not to have allowed the reserve to have fallen so low.

2877. The issue of this circular, and the difficulties which arose in April, arose whether the Bank ought to have anticipated it or not, from the Chancellor of the Exchequer coming to the Bank and taking away the three millions and a half of their money upon deficiency bills?—The issue of the circular arose from the low state of the Bank's reserve. I think the Bank would have acted more prudently in not allowing it to fall so low; but the difficulties of April may chiefly be attributed to the contraction of the circulation, caused by a large export of bullion.

2878. Mr. Herries.] Not having taken those measures, it arose from that circumstance?—The low state of the reserve arose from proper measures not having been taken to maintain it.

2879. Mr. Hudson.] You stated that you were always in a condition, under the Act of 1844, to meet any demand upon you; what do you think the effect upon the public would have been, if you had proceeded to sell 1,000,000*l.* of stock?

stock?—The effect would have been to convert the securities that we sold into bank notes, which would have increased our reserve of bank notes.

2880. Do you think the sale of 1,000,000*l.* of securities would have met the demand?—I think in October 1,000,000*l.* would have been sufficient with the amounts which were coming in every day from the bills that were going off, and considering that the revenue was coming in to the amount of 300,000*l.* a week.

2881. Supposing the London bankers had been, from the pressure that there was upon them, obliged to withdraw a large amount of the balances which I believe equalled pretty nearly the amount of your reserve on the 22d of October, what would have been the effect?—On the 22d of October, the reserve in London was 1,600,025*l.*, and in the country, 776,447*l.*, making together 2,376,472*l.*; and the bankers' balances were 1,774,472*l.*; supposing those balances had been withdrawn from us in the course of business, we should have had an opportunity of going into the market, and by selling securities, we should have strengthened ourselves by taking notes out of the market, and by that means have met the bankers' demand.

2882. What would have been the effect upon the stock market?—The effect would have been to have reduced the price of securities, and to have brought notes into the Bank of England.

2883. Would you think that a desirable state of things to have been carried out, remembering that it was merely a panic not arising from an external drain?—I think it is not only desirable, but imperative upon the Bank to take every step to maintain the reserve of the banking department.

2884. Do you think that the law is a wise law which compels a course of action like that?—I think the law is quite right which separates the issuing and banking departments, and in separating the two the action must be that which I describe.

2885. Do you think a law is wise which brings about that state of things?—I do not allow that the law brought about that state of things.

2886. Supposing that the Act of 1844 had not existed, do you think that that would have been the effect?—If the Act of 1844 had not existed, I think assistance might have been given to the country, but the act of giving assistance would have been accompanied with an additional issue on securities and an additional export of gold; and if such a system had been pursued, as the amount of bullion exported would have been greater, the Bank would have been obliged to take more stringent measures, and the effect would have been severer than it has been under the present Act.

2887. All the exchanges in Europe were in our favour, and gold was coming in in October?—Yes.

2888. Do you mean to say that any gold went out in August?—The export ceased in August.

2889. Did it not cease in May?—No, on the 31st of August; on the 31st of October 1846, 10,000 sovereigns were shipped to America; in the middle of August 1847 the export ceased, except for a trifling amount; therefore up to August 1847 there was still an export; it is so reported from our branch at Liverpool; after that period there was some export, but it was not of any consequence.

2890. Did you not lend stock?—Yes; we lent 300,000*l.* Consols to one joint stock bank, and 100,000*l.* to another.

2891. That ought to be set against the reserve?—It does not affect the reserve; it was a change of securities; we lent them Consols, and they deposited as securities bills of exchange; therefore we held bills of exchange instead of holding Consols; it was for the purpose of protecting the reserve.

2892. Did you give any opinion to the Government upon what you thought was the proper rate of interest?—The Government naturally communicated with the Deputy-governor and myself, and I gave my individual opinion that I thought a high rate of interest ought to be charged.

2893. You did not say what rate?—I have no hesitation in saying, that I approved of the rate of 8 per cent.

2894. What effect had that upon the rate of interest generally?—The effect was to raise the rate of interest generally in the country.

2895. Mr. Glym.] The rate of interest in London was 8 per cent. at the time, was it not?—The average rate before that was 7½ per cent.

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2896. *Chairman.*] What was the amount of bullion exported from the Bank to the United States, between the 31st of October 1846 and the 7th of August 1847?—The sovereigns exported to America by the Liverpool branch were 2,680,177*l.*, from Liverpool but not from the branch, 778,842*l.*; making together 3,459,029*l.*; in addition to this, 400,000*l.* were sent direct from the port of London, making the total supposed export to America 3,859,000*l.*, say in round numbers 4,000,000*l.*

Veneris, 10^a die Martii 1848.

MEMBERS PRESENT.

Mr. Chancellor of the Exchequer.
Mr. Thornely.
Mr. House Drummond.
Mr. Alderman Thompson.
Sir William Clay.
Mr. T. Baring.
Mr. Hume.
Sir James Graham.

Mr. Labouchere.
Mr. Spooner.
Mr. Glynn.
Mr. Tennent.
Mr. Cayley.
Mr. Hudson.
Sir Robert Peel.
Lord George Bentinck.

THE RIGHT HON. F. T. BARING, IN THE CHAIR.

James Morris, Esq., Governor of the Bank of England, and Henry James Prescott, Esq., Deputy Governor of the Bank of England; further Examined.

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2897. *Chairman.*] (To Mr. Morris.) UPON the last meeting of the Committee, I did not ask you what your opinion was of the effect of the publication of the Bank returns in their present shape?—(Mr. Morris.) I stated that I thought in April probably some alarm had been created, in consequence of the publication of the Bank reserve, which was at that time low, and the public not being accustomed to the working of the Bill; but, on consideration, I think it is better that the publication should take place, as a check upon the management of the Bank, inasmuch as they know that it will be published, and attention will be drawn to it. I have no objection to the publication. I am giving my individual opinion.

2898. (To Mr. Prescott.) What is your opinion?—I am of opinion that it has been attended with inconvenience occasionally; but having been once adopted, I should not recommend its discontinuance.

2899. Mr. Spooner.] Does the publication of the accounts lead the public, by an inspection of those accounts, to form any real opinion of the position of the Bank?—(Mr. Morris.) Yes, it does.—(Mr. Prescott.) In my opinion, it does not enable the public to form a perfect opinion of the position of the Bank; they cannot be aware of the funds which may be coming in or of the funds which may be going out of the Bank.

2900. *Chairman.*] Is it possible to have a publication which would not be liable to the same objection?—I do not think it would be possible to avoid that inconvenience; I have no suggestion to make of any different mode of publication, which would enable the public to have the real facts before them; I do not see how you can get over that difficulty.

2901. (To Mr. Morris.) Will you turn to your answer to Question 2877; have you any explanation to give with respect to that answer?—The issue of the circular, and the difficulties in April, did not arise from the application of the Government for 3,500,000*l.* of deficiency bills.

2902. Mr. Hudson.] If the Government had required an advance from the Bank, you must have been obliged, from the position in which the Bank stood at that time, to meet that advance either by the sale of securities, or by limiting the accommodation of discounts to the public?—For the purpose of maintaining the reserve, and enabling us to pay the dividends, we must have taken bank

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notes out of the market by the sale of securities, or by borrowing upon securities, or we must have limited our accommodation to the public.

2903. Both of which courses, at that critical moment, would have had a serious effect upon the position of the public?—I do not think either the sale of securities at that moment, or the taking of bank notes out of the market, by borrowing upon securities, would have had any serious effect on the position of the public.

2904. How was the pressure in April caused?—It was produced by the large importation of food, and the export of a large amount of bullion in payment, causing a contraction of the circulation.

2905. Was not the pressure very immediate?—The pressure lasted, I think, about three weeks.

2906. Did it not commence at the time that it became known to the public that you had written that circular; was there any large amount of pressure before you wrote that circular, or before you borrowed that money upon Consols?—I do not think there was much pressure before that.

2907. Have you any doubt that that was the cause of the pressure?—I have no doubt that the Bank restricting its discounts created a pressure.

2908. The Bank lending money to the Chancellor of the Exchequer was the sole cause of that pressure, was it not?—No, it was not.

2909. It was an additional cause; the effect was produced by your borrowing money on securities?—Some alarm, as has been stated, arose from the low state of the Bank's reserve after payment of the dividends; the object of borrowing was for the purpose of strengthening the reserve; the Bank would, in my opinion, have acted more prudently if the reserve had been kept higher for the purpose of meeting the dividends.

2910. But the question before the Committee is, what was the cause of the pressure in April, was it not caused by the demand which the Chancellor of the Exchequer made upon you; whether you ought to have provided for that or not, is not the question that I wish to ask, but whether the demand made by the Chancellor of the Exchequer was not the cause of the pressure which existed in April, in consequence of which you wrote that circular immediately upon that pressure, and borrowed money upon securities?—When the Chancellor of the Exchequer made the demand upon the Bank, we knew that we should have a certain amount of dividends to pay upon a certain day; whether the Government had provided for that, or whether an advance was to be made upon deficiency bills, was of little importance; but, in my opinion, the Bank did not keep a sufficient amount of reserve to meet the demand which they knew would be made upon them for the payment of the dividends.

2911. You spoke of increasing your reserve in October by the sale of 1,000,000*l.* of stock, and also by the payment of bills which were coming due?—I stated that we could have maintained the reserve in October by the sale of stock.

2912. And that there were two other sources from which you expected an addition to the reserve; and that was by commercial bills coming due, which you stated was a million and a half a week, and also by the payment in of money from the Exchequer?—The payment in of the revenue at the rate of 300,000*l.* a week.

2913. Have you considered what would have been the effect of a sale of stock; and whether the consequence would not have been that a large amount of those bills which you held would not have been paid, and that, instead of having a large sum paid in from the Exchequer, that source would have been dried up?—The sale of stock would not have affected the payment of the bills.

2914. That is your opinion?—It is my opinion; or at most it would have acted to an extent not worth thinking of.—(Mr. Prescott.) I do not agree in thinking that the refusal of discounts to the extent of half the receipts would not have produced commercial distress; I think it would have aggravated it.—(Mr. Morris.) But the question, as I understood, was this: could you have strengthened the reserve by a million and a half of bills falling due, and by 300,000*l.* of revenue coming in, if you had sold 1,000,000*l.* of stock, would not that have prevented the payment of those bills upon then coming due.—(Mr. Prescott.) Upon that point I agree with the answer given by the Governor, that it would have affected it to a very small extent.

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2915. (To Mr. Morris.) You stated that you acted upon the letter of the Government on the Saturday?—Yes, on Saturday the 23d.

2916. Do you remember an application being made by an eminent bill-broker for the discount of some bills on the Saturday?—No, I do not.—(Mr. Prescott.) I have a recollection of such an application.

2917. Do you recollect the rate of interest that the Bank demanded of that individual?—Yes, I do.

2918. Was it 10 per cent.?—We demanded 9 per cent. on the Saturday.—(Mr. Morris.) I think that was on the Friday.—(Mr. Prescott.) We had an application from that eminent bill-broker before we had any idea of the issue of the Government letter, and after a good deal of hesitation we agreed to make him the advance that he required; we first agreed to let him have it at 10 per cent., and afterwards at 9 per cent.; he came first on the Friday, and again on the Saturday.

2919. Do you remember distinctly whether it was before the intimation that Government made to you that they intended to issue the letter?—When we first of all asked 10 per cent., and afterwards agreed to advance the money at 9, it was before we had any intimation of the Government letter.

2920. Have you considered the effect of the Act of 1844 upon the profits of the Bank, whether it is an Act that has increased the profits of the Bank, or otherwise?—(Mr. Morris.) I do not think that the tendency of the Act has been to increase the profits of the Bank.

2921. Has not the dividend been increased since that Act?—The dividend has been increased, but arising from other circumstances.

2922. But since the Act of 1844 you have been enabled to pay an increased dividend to your proprietors?—We have paid an increased dividend during one year, owing to the large railway deposits.—(Mr. Prescott.) My opinion is that the Act of 1844 has rather operated to diminish the profits of the Bank by limiting the amount that the Bank is authorized to issue upon securities.

2923. Still you have made a larger dividend since that Act than before?—Yes, we have made a larger dividend from other circumstances, arising from the very large railway and Government deposits.

2924. Mr. Chancellor of the Exchequer.] (To Mr. Morris.) Supposing Government had had larger balances in the early part of the spring of 1847, how would the Bank have employed them?—Probably in the same way as they employed other balances of a temporary nature.

2925. Would it not have been equally necessary to withdraw temporarily during the payment of the dividend some part of the accommodation given to the public from the resources of the Bank, whether those resources were derived from Government balances or from other sources?—Yes.

2926. Does the fact of Government applying to you for advances upon deficiency bills make the slightest difference in the amount which you must provide for the payment of the dividends?—No, it does not.

2927. Previous to the payment of the dividend in the October quarter, were not the Government balances high?—Yes.

2928. Were any deficiency bills applied for in the October quarter?—No.

2929. Were you not equally under the necessity of providing for the payment of the dividends the same amount in the October and April quarters, whether there was an application from the Government for deficiency bills or not?—Yes.

2930. The necessity of providing money arises from the amount of money to be paid in dividends, and is not the amount of dividend that is to be paid known beforehand by the Bank?—Yes.

2931. The precise amount?—The precise amount.

2932. If therefore the Bank take adequate measures to provide for the payment of the dividends, can any inconvenience to the public arise?—No; the difference between April and October was this, that in April the money which ought to have been lent out to be repaid so as to meet the dividend was not repaid in time to meet the dividend, but in October the money lent was lent out for the purpose of meeting the dividend; the public repaid us notes at the period when the dividend came due, and we issued those notes in payment of the dividend.

2933. If the same course had been adopted previously to the April dividend as was adopted previously to the October dividend, viz., lending out the amount

so as to fall due previously to the dividend, instead of after the dividend, would any inconvenience, in your opinion, have arisen from the deficiency bills?—No.

2934. Mr. T. Baring.] Do I understand you rightly that there is no difference as regards the accommodation to the public whether the Government has provided for the dividends or not?—It makes little difference to the public.

2935. Whether the Government has deposited with you sufficient to meet the dividend, or whether it is obliged to ask for advances upon deficiency bills, it makes no difference to the public?—It ought to make little difference to the public; the only difference is that when the money is paid in on account of Government, we lend that money out again to be repaid at the period we require it; but if the Government are not paying in money, all we have to do is to take care from other sources, and, by proper arrangements, to be prepared to meet the dividend.

2936. Does not this occur, that in the one case you lend out temporarily the money that is in deposit with you by the Government, but in the other case you would have to abstract from the public a sufficient sum to meet the dividend?—In the one case the Government abstract from the public the money necessary to meet the dividend; in the other case, as our funds come in, we loan them out again till the period when we require them, and the result appears to me to be the same; the money comes from different parties, but the result is the same.

2937. Mr. Chancellor of the Exchequer.] Do you recollect what the amount of the deficiency bills was in January 1843?—I do not recollect what the exact amount was, but it was a large amount.

2938. Do you recollect whether it was upwards of 8,000,000 £?—I think it was.

2939. Mr. Hawes.] Do we understand you to say that it makes no difference to the public whether the Government provide, say 7,000,000 £, for the payment of the dividend, or you have to advance it upon deficiency bills?—It makes little difference, provided the deficiency bills are paid off during the next growing quarter.

2940. But during the previous quarter, does it not compel you to provide for the dividend; for instance, if you know that you have to provide money for the January dividend, instead of the Government providing the money, do you not, during the months of October, November and December, so lend your money that it shall come in to be ready to meet what you know will be wanted to pay the dividend?—Yes.

2941. If you had 5,000,000 £ to advance from other deposits, and those 5,000,000 £ were lent to the commercial public on discount, would you not be able to leave those 5,000,000 £ with the public, if the Government had provided 7,000,000 £ to answer the dividend?—The 5,000,000 £ would not have been left with the public: the Government would have paid the 5,000,000 £ into the Bank to meet the dividends.

2942. The Government receive that from the nation generally, but your accommodation is given to the commercial class; do you not conceive that a difference may be created by that course?—I do not think it makes any material difference.

2943. Do you mean to say that the 5,000,000 £ being received by the Government from the general agricultural and manufacturing community of the country, and paid in by the Government to meet the dividends, makes no difference in the relief which is to be obtained by the public from the usual discounts which you make by means of the deposits you have in hand?—It may probably make a trifling difference, but I do not think it makes a material difference.

2944. Does it not make the difference of the whole amount of the sum you are obliged to call in?—Supposing the Government balances increase with us, we lend that money out again in the London market, or at our branches, but we lend it out specially to be returned at a certain period; whether it comes in from the Government or from other sources, affects the question very little.

2945. Supposing the balances in your hand from general sources to be 10,000,000 £, and that the Government balances were 5,000,000 £, which would make 15,000,000 £, do you mean to say that you would not dispose of the whole of your 10,000,000 £ for the benefit of your proprietors, leaving it out as much as possible, seeing that there was the balance of the Government to pay the dividends when due, and that no part of your balances would be wanted?—That

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brings me back to what I stated before, that, supposing Government had the 5,000,000 *l.* with us, we should not allow them to remain in the reserve of the Bank, but we should consider ourselves bound to accommodate the public, otherwise money might become scarce; therefore we should lend out the 5,000,000 *l.*, for the purpose of being repaid to us at the period of the dividends; it does not affect the other 10,000,000 *l.* Supposing the Government had not had the 5,000,000 *l.* with us, we should have had the 15,000,000 *l.* from other quarters; we should have had securities going off and money coming in to us, which we should have lent out for the period. It appears to me that it is the same in the two cases.

2946. Is it not evident that you could not accommodate the public to the same amount with the 10,000,000 *l.*, seeing that, as you have stated, you know beforehand what is wanted; and where there are deficiency bills, you call in your discounts, in order to meet the dividends?—If there are deficiency bills, there is a large amount of notes circulating in the market, the Government not having collected those notes; instead of being in their hands, they will be in the hands of the public; we have no difficulty in getting notes out of the hands of the public to meet the dividends when they become due; we have a certain reserve to deal with, and whether that arises from public or private balances, we lend it out to be repaid, as we know we shall require it for the purpose of meeting public or private demands.

2947. Supposing the Government have not balances, and they are obliged to come to you for 6,000,000 *l.* or 7,000,000 *l.*, and they say, "You must advance the money to enable us to meet the dividend," do the Committee understand you to say that that makes no difference in the resources of the Bank, or in the accommodation that the public receive; is that accommodation the same as it would be if you had the 7,000,000 *l.* in hand?—It makes a considerable difference in the arrangements of the Bank with a view to meet the payment, but it makes little difference with the public.

2948. You speak of arrangements; what arrangements do you mean?—If the amount to the credit of the Exchequer is large, the money is lent out to be repaid at the period when the dividend becomes due; if the Exchequer is in a low state, then the notes, instead of being paid in for account of the Government will either be circulating out of doors, or they will be coming in to us as our securities are going off; therefore, whether we receive them on account of the Government or in repayment of securities which are going off, it will be immaterial to the public; we lend out the notes as they come in, to be repaid on the day on which they will be required for the payment of the dividends. We have a daily amount coming in from bills which are going off.

2949. That must be equal to the amount of the loans you have made?—We hold a certain amount of securities; the amount of these securities varies; if the Government have taken a large amount of notes out of the market naturally money will become scarce, and parties will apply to us, and we shall lend that money to the public. In the case of the Government not having sufficient funds to their credit to meet the payment of the dividends, we have money coming in daily from securities which are going off; and, instead of renewing advances against those securities for long periods, we lend only for such a period as will enable us to meet the dividend.

2950. The amount of money that comes in to you can only be in proportion to the loans you have made, and, having 10,000,000 *l.* deposited from other sources, you can only lend the 10,000,000 *l.*; whereas, if you had the additional deposit from Government, you would be able to lend 15,000,000 *l.*, or whatever the proportion might be?—But the money which is coming in daily is not only money which has been lent, but it also comes in in the shape of deposits; money would be easy out of doors, and probably our reserve would be high. When the Government pays in a large amount on account of the Exchequer, the money being scarce out of doors, there is a greater demand upon us, and we lend it out; but if Government do not pay that money in, in the shape of revenue, money is, comparatively speaking, easy out of doors; the demand upon us is less, and our reserve naturally is high.

2951. Do you find, that whenever Government balances are low, money is easier out of doors?—The Bank makes, or ought to make, such arrangements, that it makes little difference whether the Government balances are low or not.

2952. Mr. *Sponsor.*] What you mean is this, whether the notes are paid in
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by Government to the Bank, or whether they are paid in by the public to the Bank, the amount in circulation remains the same, though it may not flow in the same channels?—Yes, it comes in through different channels.

2953. *Mr. Chancellor of the Exchequer.*] You do not mean to say, that if the deposits are high, you have not larger available resources with which to accommodate the public throughout the year; but you mean, that it makes no difference, as regards the payment of the dividend, whether they come from Government, or from other sources?—Exactly.—(*Mr. Prescott.*) The larger the deposits, from whatever source they come, the greater is the power of the Bank to lend money to the public.

2954. *Mr. Hume.*] Do I understand you to say, that in proportion to the amount of deposits, the accommodation to the public is greater or less?—The power of the Bank to give accommodation to the public is regulated by the amount of the deposits.

2955. Then, supposing your deposits are only 10,000,000 *l.*, not having any Government deposits, do you mean to say that you can give the same accommodation to the public as you would give if the deposits were 15,000,000 *l.*?—I do not; but it may be presumed that the public do not require the same accommodation under those circumstances. When the money has not been paid in on public account, the presumption is that there is a larger amount in circulation.

2956. *Mr. Chancellor of the Exchequer.*] Is not the money which you withdraw for the payment of the dividends re-issued in payment of the dividends?—(*Mr. Morris.*) It is.

2957. Does the payment of the dividends make any difference in the amount of notes with the public?—Not any material difference.

2958. *Sir William Clay.*] You assume that if the Government balances are low in consequence of the revenue not having come in, your other deposits are larger?—Generally speaking it would be so, but it would rather affect our reserve; Government not paying in the revenue, money would be easy out of doors, and we should have less demand on our reserve for accommodation for the public; the reserve would in consequence be high.

2959. Would your balances materially alter?—They ought to be nearly the same.

2960. Consequently your arrangements for the payment of the dividends would not alter materially the amount of accommodation you would give to the public?—No.

2961. *Mr. Baring.*] Would there have been any additional inconvenience to the public if Government had in October required an advance upon the deficiency bills?—No; instead of Government paying in a large amount of notes, which the Bank re-lent, those notes would have been out in the market, and, consequently, there would have been no more pressure than there was.

2962. In case you had lent the whole of your reserve of notes to the Government, there would have been no inconvenience to the public?—We could not lend the whole of the notes of the reserve to the Government; we must have kept a sufficient amount to meet our liabilities.

2963. Is it, then, a question of amount?—Government do not create additional notes for the purpose of paying the dividends; if the Government were to increase the circulation to enable us to pay the dividends, that creation of notes would make money easy at that particular moment; but as notes only come in from one source, the Bank take care to lend them out again, so that the public shall be as little inconvenienced as possible; it makes very little difference practically.

2964. Then, if in addition to all the other borrowers, the Government had been borrowers also, that would have made very little difference?—If the Government had been borrowers, the probability is that the public would not have been borrowers, because the notes which the Government borrowed would have circulated in the market; but the Government being borrowers, we hold the notes, and not the public.

2965. *Mr. Spooner.*] You said that in October 1846 you had so lent out your money; that your securities were payable before the dividends became payable?—Yes, in October 1846 the money of the Exchequer was 8,986,000 *l.*, and we lent out that money to be repaid at such a time as to enable us to pay the dividend which fell due a short time afterwards.

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2966. You stated that in April 1847 you did not do so; you lent out your money upon securities which became due after the dividend?—I stated that I thought the Bank would have acted more prudently if, instead of discounting the bills falling due in the month of May, and probably some in the month of June, they had lent out the money to be repaid on the day on which it would have been required to meet the dividends.

2967. Was not the consequence of the bills not falling due till after the dividends were paid that you were obliged to restrict the daily accommodation, and thereby create an inconvenience to the public?—That was the effect out of doors; the public saw the low amount of our reserve; but that lasted for a very short period; I was not in the chair at that time, I was in the deputy-chair; parties applied to us for the purpose of getting assistance; and at the latter end of April and up to the middle of May we lent 2,400,000 *l.* to parties who stated that it was necessary to have that assistance, or otherwise they would not be able to carry on their business, so that though the Bank apparently denied accommodation, they really gave what was required.

2968. *Sir William Clay.* You mean to say that, under the Act of 1844, the operation of paying the dividends does not create the slightest increase or diminution of the money in the country?—It does not.

2969. Therefore, in whatever mode you, as bankers, arrange for the payment of the dividends, it can have no effect in increasing the money that shall be at the disposal of the commercial world?—No.

2970. In point of fact, there is no increase or diminution of the money in the country for the use of the public; but it is merely a transfer of that money from one portion of the public to the other?—Exactly.

2971. The error to which you allude in the conduct of the Bank was their error, as bankers, in not managing well for their customers, by arranging that the surplus money in their hands at one time should be ready to meet the demands at another, in the same way as any private bankers might fail to make proper arrangements to meet their demands?—I stated that, in my opinion, the Bank would have followed a more prudent course if they had acted in the way you have stated.

2972. The substance of your explanation appears to resolve itself into this, that under the Act of 1844 there is no possibility of increasing or diminishing the amount of money, that being governed by a law with which that Act has nothing to do?—Exactly; it is irrespective of any management on the part of the Bank.

2973. Therefore, the question of more or less convenience in the payment of the dividends is a matter entirely of banking arrangement, and the inconvenience which was felt at that time, in your opinion, simply arose from the Bank, as bankers not having made their advances returnable at the period when they were called upon as bankers to pay money?—Yes; I stated that at that period the Bank would have acted more prudently if they had lent out their money to be repaid at the time when they required it for the payment of the dividends instead of discounting bills which fell due after that period.—(*Mr. Prescott.*) It appears that there was a considerable amount of money lent out in that way to meet the payment of the dividends, but it was perhaps not lent out in that way to a sufficient extent.

2974. (*To Mr. Morris.*) You never meant in any portion of the explanation you have now given, to say that there would not be a greater facility for your paying the dividends and giving assistance to the community if there were more money in the country than if there were less; for instance, it would have been easier to pay the dividends and afford any other banking aid in the autumn of the year 1846, when there was more money in the country than in the spring of 1847, when there was less money in the country?—Certainly.

2975. But the mode in which the arrangements were made for the payment of the dividends did not in the smallest degree influence the amount of facility given to the commercial world?—No.

2976. *Chairman.* Whether it is more or less convenient to the public, one party, I apprehend, must gain by having a larger amount of balances; I mean the Bank?—Undoubtedly; we lend out and make a profit by the Government balances.

2977. Supposing it were possible for the Bank to have 2,000,000 *l.* or 3,000,000 *l.* beyond what was called for, it would be an advantage to the Bank?—Yes.

2978. Therefore,

2978. Therefore, notwithstanding the explanation you have made, the interest of the Bank is to urge large balances?—Undoubtedly.

2979. Supposing the Government were always to hold in the hands of the Bank a balance of 2,000,000 *l.* or 3,000,000 *l.* beyond what you were ever called upon to pay, you seem to think that that would not make any difference in the accommodation to the mercantile classes?—No, it would not, because the Bank would lend it out again to the public.

2980. But supposing it did thereby give additional accommodation to the mercantile classes, of course that must be derived from the body of what may be termed the general public; do you think that that is a right course of proceeding that the money should be derived from the other classes for the purpose of enabling the Bank to give accommodation to the mercantile class?—I do not think that would be the effect of it; you are supposing the revenue to be flourishing, and Government, in consequence, to have a balance of 2,000,000 *l.* or 3,000,000 *l.* in the Bank beyond what they are likely to require. The Bank would employ that balance, so that there might not be an abstraction of so many notes from the public.

2981. You seem to be of opinion that it would not give an additional accommodation, but I am supposing that it would give the accommodation that has been put by some members of the Committee and that the sum of 3,000,000 *l.* would be derived from the general public and placed in the balance of the Bank, which would enable the Bank to give additional accommodation to the mercantile class; do you think that that would be a right course of proceeding, to draw from the general public with the view of giving accommodation to a particular class?—In speaking of money, I cannot draw a distinction between any class of the community; the moment money gets out it is circulated through the whole country. I have heard people speak of our giving accommodation to the Stock Exchange and not giving it to the general community; my answer is, you cannot give it to one class without the other feeling the effect of it, because the money circulates so rapidly, that it is sure to go to the quarter where it is most required, and therefore I do not see how you can draw it from one source for the purpose of benefiting another.

2982. *Mr. Hulston.*] Can you state what the reserve was on the 10th of April?—Three million four hundred and sixty-seven thousand pounds.

2983. Can you state the reserve on the day you made the advance to the Chancellor of the Exchequer?—On the 3d of April, which was previous to the payment of the dividends, the reserve was 4,391,000 *l.*; there were 1,460,000 *l.* on loans which were to be repaid to us to meet the dividend, therefore, adding those two together, it would be 5,851,000 *l.*

2984. You lent that sum to be repaid, but are you not aware that many parties were at that time unable to pay?—But that was repaid; the amount went down on the 1st of May, 200,000 *l.*; from the 3d to the 10th, 600,000 *l.* had been repaid to us; these are temporary advances, there might also have been bills of exchange and other payments coming in.

2985. Owing to the Chancellor of the Exchequer taking the whole of the reserve you were obliged to reduce the accommodation to the public?—So far from the Chancellor of the Exchequer taking the whole of the reserve at the period immediately after the dividend had been paid, the reserve still reached 3,087,000 *l.*

2986. But you borrowed 1,000,000 *l.* upon stock?—Yes, that was in April.

2987. And you were obliged to write to the various branches to state that they were to limit on the instant their discounts to one-half?—But it must be recollected that at that period the advances at Liverpool were very considerably beyond what they were entitled to; the amount they had in January was about 580,000 *l.*, in April they had nearly three times as much. What we stated to our agent was, "As the bills go off you must re-discount only half;" but that was in operation only about 10 days.

2988. *Mr. Chancellor of the Exchequer.*] Have the goodness to look at the Bank returns on the 10th of April 1847; what is the total amount of the account upon deficiency bills on that day?—Two millions four hundred and seventy-five thousand pounds.

2989. Look on the other side of the account, and see what the public deposits were at that time for the payment of dividends?—Two million and twenty-seven thousand pounds.

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2990. What was the whole amount of public deposits on that day?—Four millions nine hundred and eighty-four thousand three hundred and seventy-five pounds.

2991. That includes a certain sum from the savings banks?—Yes, 320,000 *l.* from the savings banks.

2992. Then, have the goodness to look at the Bank account on the 17th of April; what was the whole amount of the account on that day on the deficiency hills?—One million three hundred and fifteen thousand pounds.

2993. What was the whole amount of the public deposits for the payment of the dividends of that day?—One million two hundred and thirty-two thousand pounds.

2994. Look at the account of the Bank on the 24th of April, what was the total amount of the account of deficiency hills for that day?—Nine hundred and fifteen thousand pounds.

2995. What was the amount of public deposits for the payment of the dividends on that day?—Eight hundred and eighty thousand pounds.

2996. Mr. *Hudson*.] Do you not refuse discounts to all banks of issue?—We have always refused discount accounts to Banks issuing their own notes.

2997. Upon what ground?—The ground upon which I understand it has been refused is, that, previous to the Act of 1844, the Bank made arrangements with certain joint-stock banks, to induce them to adopt the Bank of England circulation; and after the Act of 1844 had been passed, it was thought that it would be hard not to continue the same facilities to those banks which they had obtained from the Bank before the passing of the Act; that arrangement having been made for our mutual convenience.

2998. In coming to that decision, you did not keep in view the great public interests of the country; but the object in view was the increasing the power of the Bank of England, by inducing all other banks to issue their notes?—We gain nothing by inducing parties to issue our notes, any profit beyond the 14,000,000 *l.* goes to the Government.

2999. But your reserve being 10,000,000 *l.* or 11,000,000 *l.*, if you could have 10,000,000 *l.* or 11,000,000 *l.* out, by substituting them for country notes, that would be an object you would have in view?—At the time when the difficulties took place, our reserve was low, and it was better to employ it in discounting hills.

3000. It is, however, a complaint, that you have a stringent rule, by which you refused discounts or accommodation to all banks of issue?—I have no objection to state, speaking individually, that now that the Act of 1844 has been passed, I do not see any reason why they should not be placed on the same footing as the others; but the reason the Court has not acceded to that, is in consequence of those parties having worked with us at a period when it was useful to us that they should do so.

3001. Mr. *Glyn*.] In answer to question 2665, you state that "the Court thought that in the face of the negotiation of a loan by the Government, it would be desirable not immediately to raise the rate of interest; but if that was the case, it was only deferring the raising the rate for a week;" was that the fact?—My impression is, that a discussion took place with respect to the raising the rate of interest; and I think that that objection was made by some parties; but whether that was the real cause which induced the Court to pause or not in raising the rate, I cannot say; but there was a feeling in the Court, that in the face of the Government negotiating a loan, it would be an act of want of courtesy to put up the rate of interest immediately.

3002. Do you think that that was a fair course to those who were bidding for the loan?—As far as the public are concerned, whether the Government were about to negotiate a loan or not, we ought, in my opinion, to have taken the step of putting up the rate of interest without reference to such a transaction.

3003. Mr. *T. Baring*.] Is the Bank in the habit of lending upon foreign coins in this country?—Yes; I think we have lent upon silver; I do not think we have ever been called upon to lend upon gold.

3004. Then you have never refused to lend upon gold?—We have never refused.

3005. You state that on the 7th of September 1844, your interest was reduced to 2½ per cent.; previously to that time the general minimum rate of interest had been 4 per cent. ?—For a long period of years it had been 4 per cent.

3006. Do you think that course of lowering the rate of interest to 2½ per cent.

cent. is one, which, under similar circumstances, the Bank should again adopt? *James Morris, Esq.*
—Under similar circumstances, decidedly.

3007. Is that upon the principle which you stated that the object of the Act was to cause the circulation to expand and contract as bullion would do?—*H. J. Prescott, Esq.*
Raising or lowering the rate of interest has only reference to the state of our reserve in the banking department; I consider the two departments to be quite separate; the issue department might be in Whitehall, and the banking department in Threadneedle-street; our accounts are kept separate, and the notes are kept distinct, under different locks and keys, so that the separation is complete.

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3008. You think that there is no disadvantage in reducing the rate of interest to any minimum?—When the rate of interest out of doors was $1\frac{1}{2}$ to $1\frac{3}{4}$ per cent. or 2 per cent., if the Bank pretended to act as discounters, it was absurd to attempt to keep their rate of discount at 4 per cent.

3009. It would not be the policy of the Bank to remain quiet and passive, and not attempt to get its notes out?—No, it would not; I may state with respect to the reserve, that I consider that the amount of reserve which the Bank hold naturally has an effect upon the notes out with the public; I am speaking of notes out of the banking department; the circulation must be contracted if the Bank holds a large reserve, and money will be dearer than if the Bank employed a large portion of the reserve; if we keep the notes in the reserve, instead of giving them out to the public, the effect that ought to be produced by gold coming into the country is counteracted; it induces a larger amount of capital to come into the country, because you do not allow that portion which has come in to be employed; if you do not put out the gold, or the representative of gold, you entirely prevent it having any effect upon the circulation; the exchange will be kept up, and gold will continue to come in.

3010. Do you think it unwise to keep the rate of interest at 4 per cent.?—At the present moment there are peculiar circumstances, and I do not think we should be justified in putting down the rate of interest; the rate of interest out of doors is $3\frac{1}{2}$ to $3\frac{3}{4}$ per cent.

3011. It is entirely a matter of discretion for the Bank?—Entirely.

3012. You do not think that putting down the rate to $2\frac{1}{2}$ fosters undue speculation?—There is no doubt that when money is extremely plentiful, speculation generally arises; but it is not the Bank putting down the rate that makes money cheap; the Bank cannot keep the rate of interest low for any length of time; the Bank has a certain amount of notes to deal with; and if the Bank puts down the rate of interest lower than the rate out of doors, the Bank's means of giving accommodation would be soon exhausted, and the consequence would be that other parties would discount without competition with the Bank.

3013. When you reduced your rate to $2\frac{1}{2}$ per cent. was not the rate out of doors reduced also in competition with you?—We fixed the rate at $2\frac{1}{2}$, in order not to come into immediate competition with the rate out of doors, and we did not come into competition till the rate out of doors rose to our rate. The discounts in London at the time we fixed that rate were 113,000 £, and on the 5th of October they were 139,000 £; so that though we fixed the rate at $2\frac{1}{2}$ per cent. for some considerable period, the discounts did not increase upon us.

3014. You do not think that the lowering the rate of interest to that extent makes a sudden contraction necessary afterwards?—I think not, provided when the market rate of interest rises you follow that rate.

3015. From that period up to the beginning of 1846 there seems to have been no great change in the rate?—Up to the 18th of October 1845 the rate remained $2\frac{1}{2}$ per cent.

3015*. During that period there was no great change in the operations of the Bank?—There was no alteration in the rate of interest.

3016. During that period do you think the conduct of the Bank direction would have been different under the previous Bank Charter?—I cannot say what it would have been; but I am quite convinced that it ought not to have been different, and I think it would not have been different.

3017. Up to that period probably the Bank Charter Act of 1844 introduced no change in the usual operations of the Bank?—It introduced no visible change.

3018. Looking to February 1846, the stock of bullion at that time was considerable?—The stock of bullion on February the 7th, 1846, was 13,386,000 £.

3019. And the reserve of notes about 6,000,000 £?—Six millions nine hundred thousand pounds.

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3020. The rate of interest was $3\frac{1}{2}$ per cent. ?—Yes.
3021. And the exchanges with foreign countries were favourable ?—25/65 on Paris, which is a favourable exchange.
3022. That is not an exchange to take gold out of the country ?—No, it is not.
3023. When a great operation upon the circulating medium in the hands of the public takes place, especially when it is an operation of a large payment from the public into the Bank, and that occurs at a time when there is a large stock of bullion and a large stock of reserve notes, and the exchanges are favourable, do you consider it the duty of the Bank to reduce the accommodation to the public ?—The Bank did not reduce the accommodation to the public.
3024. I do not mean as to the amount, but as to the system upon which the accommodation was given ?—At that period the rate of interest was $3\frac{1}{2}$ per cent., and the rate out of doors was, I should imagine, nearly the same; probably you are alluding to the large amount which we held at that period of railway deposits.
3025. The question does not refer to what you did; but do you think it the duty of the Bank, under those circumstances, to reduce the accommodation to the public ?—No.
3026. The payments made to the Bank in 1846 on account of the deposits of railways amounted to 10,700,000 l. ?—Yes.
3027. That was made within a short period ?—Before the 31st of January they were 6,552,000 l., and on the 7th of February they were 10,704,000 l.
3028. Was not that sum operating upon the circulating medium very far beyond what was ever known to take place in any previous history of the monetary transactions of this country ?—A very slight effect was, in my opinion, felt out of doors, considering the payment was of so large an amount.
3029. Is not that the largest amount you have known paid in in so short a time ?—I am not sure whether at the time of the West India loan it was not as much; the amount paid into the Bank then was very considerable.
3030. At this period the Bank discounted bills at 95 days ?—Yes.
3031. The usual length of bills discounted by the Bank is 95 days ?—Yes, bills that have not more than 95 days to run.
3032. You make loans upon bills of 95 days ?—Upon bills not having more than six months to run; but many of them are of shorter dates.
3033. At that period you had no limit upon the 95 days; but the bills were from 95 to 10 days ?—Perhaps you will allow me to explain this: the money paid in as railway deposits amounted to 10,704,000 l.; we lent that money out first for a period of a month to six weeks; but as the time at which we were likely to be called upon to repay the money approached, we shortened the period; some of the companies who were not able to get through the Standing Orders might have claimed their money within 10 days; the reason we lent the deposits out for a short period was the liability we had to repay them within a short time.
3034. You limited the loan to 10 days ?—We limited it to 10 days in the month of April; being the period for the payment of the dividends.
3035. Was it not in February that you limited it to 10 days ?—No; loans were granted for a month or six weeks in 1846 from January to March to fall due about the April dividend, and a few were granted to be repaid beyond the period of the April dividend; but it was not till the pressure in April that the period for the repayment of the loans was shortened.
3036. Then it was reduced in April to 10 days ?—It was; I do not think it was reduced under 10 days.
3037. Would not that produce, and did it not produce, inconvenience to the public ?—I have no recollection of its having produced any inconvenience; I was struck with the facility with which the whole arrangement was carried out; there was uneasiness at the time; many persons imagined that as so large an amount was to be paid in to the Bank, money would be abstracted from the circulation of the country to that extent, but the Bank lent out the money for the purposes of meeting that difficulty, and I recollect when the whole was repaid, I was struck with the facility with which the transaction had been carried out. —(Mr. Prescott). The reason of lending it out for 10 days was, that it might be returned at the period at which the Bank was likely to be called upon for it.
3038. Would

3038. Would any prudent money-lender think of giving the usual accommodation to the public when he could only borrow money for 10 days?—(Mr. Morris.) If the only means by which he could borrow money was by borrowing it for 10 days, it would make him careful; but on the 24th of January the amount of discounts was 1,242,000*l.*, on bills having 51 days to run; on the next week the amount was 1,600,000*l.*, and the average currency of the bills was 52 days; on the 7th of February it was 1,251,000*l.*, and the average currency of the bills was 66 days; therefore though we were making advances for only 10 days, we were discounting largely bills having the usual period to run.—(Mr. Prescott.) It is the practice in London, generally, when money can be borrowed for a very short time, to pay a low rate of interest; we generally find that money borrowed for a day or two is borrowed at a low rate of interest.

3039. That does not meet the difficulty which a person discounting bills would labour under from being able to borrow only for 10 days?—No man would borrow for 10 days for the purpose of discounting bills which had a long time to run.

3040. The amount of deposits was very large, was it not?—(Mr. Morris.) The amount of deposits was 25,967,000*l.* including 10,704,000*l.* railway deposits, and 3,600,000*l.* belonging to the Exchequer.

3041. So that that 10,000,000*l.* of railway deposits you did not really lend out?—We lent in the form of advances, 5,351,000*l.*; our discounts at that period, including the London and the country, were 11,934,000*l.*; the amount of the whole railway deposits which we received in the week ending the 24th of January, was 1,200,000*l.*, on the 31st January 2,900,000*l.*, and on the 7th of February 6,200,000*l.*, making altogether in the course of 1846 10,300,000*l.*; our discounts and advances in the week ending 24th January, increased 2,800,000*l.*; on the 31st January 3,100,000*l.*, and on the 7th of February 1,400,000*l.*; so that up to that date we had lent out 7,000,000*l.* of the 10,000,000*l.* which had been paid in for railway deposits.

3042. A witness has stated that, in consequence of the inability to be called upon for a reimbursement of those deposits, you at first limited your period of loans to 60, then to 30, then to 20, and at last to 10 days?—Ten days was at the latter period when we were liable to be called upon for the repayment of the whole amount, consequently we could not lend out money which we were liable to pay at the end of 10 days, without having the power of calling upon those to whom we lent it, to repay it in that period.

3043. Might you not have lent it for a longer period and relied upon its gradual repayment in the course of your operations?—No, I think not; this was money deposited with us for a particular object, and we were therefore bound to deal with it in a different way from that in which we should have dealt with our ordinary deposits; the same thing applies with regard to bankers' deposits; we have a certain amount of bankers' deposits which we know we can generally reckon upon retaining; but we have also an amount of bankers' deposits which we consider may be called for at any moment, and we do not deal with those surplus deposits in the same way as with the other deposits.

3044. But the probability is that this call for 10,000,000*l.* would have been gradual, and even if it had been immediate, might you not have put out 10,000,000*l.* of bank notes, and would not the borrowers have been ready to bring them immediately back in repayment of their loans?—The arrangements for receiving and lending out the railway deposits were such, that out of 10,300,000*l.*, the whole amount received, we lent in the form of advances and discounts 9,400,000*l.*

3045. But you lent it out limited to a certain period?—Yes.

3046. May any effect which was at all produced by that limit be ascribed to the issue department?—It is to be attributed to our acting upon what we considered sound banking principles, without any reference whatever to the issue department.

3047. You would have done the same thing if the Bank Charter Act of 1844 had not existed?—We ought to have done the same thing.

3048. Might you not have reckoned upon money that would come in?—We ought not, in my opinion, to have relied upon anything of the sort; we ought to have been prepared to meet those liabilities whenever they came upon us; and therefore we limited the loans to the period when we were liable to be called upon for repayment.

3049. Are you not aware that the necessity which the Bank felt they were under to limit those loans to a very short period did create a pressure?—There could not have been any great pressure, because the rate of interest at that period was 3½ per cent. If there had been any very great pressure out of doors,

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the rate of interest would have been higher. — (Mr. Prescott.) I should say it created an apprehension of pressure, but the apprehension was not realized.

3050. Was it not the fact that at that time the bill brokers refused to discount any bills?—I am not aware of it.

3051. Was it not in consequence of the apprehension of pressure that a deputation went to the Government upon the subject?—(Mr. Morris.) I am not aware of any deputation.

3052. Mr. Alderman Thompson.] The Bank made no representation on the subject?—Not any.

3053. Mr. T. Baring.] On the 2d of January 1847, there was in the issue department, according to the "Gazette" returns, 11,788,770 *l.* of gold, and 2,469,490 *l.* of silver; therefore there was a margin beyond the proportion?—Yes.

3054. Then there was an operation of the Bank of France; they bought 850,000 *l.* of silver through their agents from the Bank of England; and that was not because the exchanges made it profitable to export silver; but it was a forced operation, arising from the peculiar state and wants of the Bank of France. Between the 2d of January and the 6th of February the silver bought by the Bank of France was 850,000 *l.*?—Eight hundred thousand pounds was sold between the 4th and 24th of January.

3055. That would show a return, on the 6th of February, of gold, 9,963,747 *l.* and of silver, 1,540,581 *l.* On the 1st of May, the gold was 7,083,767 *l.* and the silver 1,423,818 *l.* The returns of silver between that period show that the demand of the public was not for silver, but for gold: the quantity of silver varies very little subsequently, only about 150,000 *l.*, while the decrease of gold was 4,700,000 *l.* Supposing the Bank of France not to have taken that amount out, what course would the Bank of England have pursued with that silver which was in the issue department for the purpose of maintaining their proportion?—The Bank would have sold the silver to parties in London.

3056. It would have taken Bank of England notes from its reserve, and given out the silver?—The silver would have been sold out of the issue department, and the bank notes would have been written off the issue department.

3057. It would have been a forced action by the Bank and not an internal demand for silver by the public?—It would be realizing a portion of the bullion which was held in the issue department.

3058. Supposing there were no demand for silver, the exchange being favourable with the continental countries, the issue department of the Bank would have been forced to sell that silver in order to keep its proportion?—The exchanges were favourable for the export of bullion. At that period we had sold the whole of our Russian gold coin. The reason gold was taken for export instead of silver was this, it was the winter season, and the transport of silver by land carriage being more expensive than of gold, the demand was for gold and not for silver.

3059. And likewise there was a shipment of gold to the United States?—Latterly, only gold has gone to the United States.

3060. Therefore there was at that time no real demand for silver?—But we might have created a demand by lowering the price.

3061. But in April 1847 nobody could sell silver in this country?—The amount of silver which the Bank then held was very nearly the proportion limited by the Act of 1844; there was a demand for gold and not for silver; we were afraid of increasing the amount of our silver, because if the silver had exceeded the proportion, we should have been obliged to sell silver for the purpose of re-adjusting the proportion.

3062. It would have been a forced operation on the part of the Bank?—Selling silver would have necessitated a lowering of the price.

3063. In April there was no demand for silver at the Bank; was there not a fear that no buyers would be found?—The difficulty in April was on account of the scarcity of money; parties would have bought the silver if they could have had a sufficient time to pay for it; but they were not in a condition to pay down bank notes, and, exporting the silver, wait till the return was made from abroad; that state of things lasted only a few days.

3064. According to that, the result would have been if the silver had remained undisturbed by the Bank of France, there would have been 501,877 *l.* beyond the proportion which you could have held of silver?—We could immediately have taken steps to sell the silver by reducing the price; the currency in France is based on a silver standard; we had only to lower the price, and parties buying it of us would have taken it at once to the French mint.

3065. There

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3065. There was no demand for silver at that time?—No, not at the price we asked for it; but if we had lowered the price, a demand would have sprung up, and we should have lowered the price, without any hesitation, if there had been a necessity for it.

3066. In times of ordinary facility, you would have been able to sell the silver; but at that period you were not?—We should have employed some house in London, as has been done on former occasions, for the purpose of exporting the silver.

3067. There has been a question about your deferring to raise the rate of interest on account of the prospect of the Government loan; the Committee understood you to say, you think that was not a step for the advantage of the public?—What I intended to state was, that provided the Court were of opinion that the rate of interest ought to be raised or lowered, any transaction that was then taking place between the Government and other individuals, ought not to have influenced the opinion of the Court.

3068. That was for the advantage of the Government?—I stated that I thought that argument was made use of by some parties; but I am not prepared to say that that was the reason which induced the Court not to put up the rate of interest.

3069. Mr. *Chancellor of the Exchequer*.] Had you any communication with the Government upon the subject?—None whatever; the subject was not mentioned between the Chancellor of the Exchequer and ourselves.

3070. Mr. *T. Baring*.] But you stated that you had two interests to consider; viz. the interest of the proprietors, and the interest of the public; if that transaction took place, it would appear as if you had also to consider the interest of the Government in your operations?—I consider that in an operation of that nature, we should not have been justified in deviating from the strict principles of banking, for the purpose of assisting the Government in contracting the loan.

3071. Between the 6th and 23d of April, you borrowed 1,225,000 l. on Consols; there was no resolution of the Bank to defer borrowing upon Consols till the loan was concluded?—I stated that a certain amount was borrowed for the purpose of strengthening the reserve, without any regard to the negotiation of the loan.

3072. Did the plan of borrowing upon Consols, or of selling securities, come before the Court before the 1st of March?—I do not recollect; the Governors act upon their own responsibility during the time the Court is not sitting, reporting to a subsequent Court what they have done; whether this borrowing was done by the Governors, they reporting to the next Court, or whether the question was discussed in the Court, I do not recollect.—(Mr. *Prescott*.) It was not a new practice on the part of the Bank to borrow upon Consols.

3073. Mr. *T. Baring*.] (To Mr. *Morris*.) You stated that your opinion was, that the reserve ought to have been increased before April 1847?—The reserve ought, in my opinion, to have been maintained, so as to have enabled the dividend to have been paid without the reserve being reduced so low as it was.

3074. And it might have been increased, by selling or borrowing upon securities?—It might.

3075. Therefore, you consider it to have been injudicious not to have done that before?—I think it was injudicious in the Bank to discount bills which fell due after the period at which the dividends were to be paid, rather than lending out the money to be repaid at the period it was required for the payment of the dividend.

3076. In April, was discount in any cases refused?—I think in April the discounts were restricted according to the amount which individuals might have had upon their accounts.

3077. But practically bills were refused, were they not?—Practically, parties applying to the Bank for discount for bills were refused, not on the score of insufficiency of security, but on account of the state of the reserve.—(Mr. *Prescott*.) The accounts of those parties were already high.—(Mr. *Morris*.) The discount was restricted according to the amount parties had on their accounts; those having large amounts were restricted on account of the amount they had.

3078. It was a restriction beyond the usual limit which you make?—There is a figure fixed against names for the purpose of giving an idea of the security those parties individually offer, but in London there is no limit fixed against names as to the amount they may have.

3079. So that in reality this was a restriction upon discounts?—Yes.

3080. And the Bank refused to lend upon Exchequer bills?—The Bank was not in a position at that time to lend upon Exchequer bills.

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3081. Whether

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3081. Whether from previous injudicious conduct, or any other reason, when the Bank find it necessary to reduce their issues considerably; do you think it is more desirable and more advantageous to the public to do it suddenly or to do it gradually?—Gradually.

3082. In April you did it rather suddenly?—Yes.

3083. You lessened your investments to a very large extent, to about 2,000,000!—We lessened our securities by bills running off, and not rediscounting.

3084. Did you not feel yourselves compelled to do that in consequence of this Act of 1844?—No.

3085. Could you not have safely continued to discount, relying upon the balance which were coming in, and the revenue which was coming in, and the instalment of the loan which was to come in?—Whether the Act of 1844 had existed or not the principle upon which we acted should have been the same; we had a certain amount of deposits and a certain reserve to meet, and we were bound to keep up that reserve, so as to be quite sure that we could meet our liabilities.

3086. Do not you think that you could have done that in a way not acting so injuriously upon the public?—No.

3087. Do you think previously to 1844 the Bank would have found a difficulty in maintaining the convertibility of the note?—I think that in 1825, 1837 and 1839, the convertibility of the note was in extreme danger, from the Bank not looking sufficiently to the amount of its reserve, by issuing more notes than it was justified in issuing for the purpose of relieving the public.

3088. Had not the Bank the same alternative then of reducing discounts or selling securities?—Yes; but the Bank continued till the amount of the reserve was so low that they were obliged to take extremely stringent and violent measures, and the result was the country suffered.

3089. But through the suffering of the community the Bank had the power of keeping itself safe?—Yes, it had; but in keeping itself safe it injured a great number of commercial establishments.

3090. Do not you think that the Bank, without the Act of 1844, by its own operations could have maintained the convertibility of the bank note?—I think the Bank of England could have maintained the convertibility of the note, whether the Act of 1844 had passed or not. We ought to have separated the two departments, and to have conducted them upon exactly the same principle, whether the Act of 1844 had been in existence or not.

3091. But my question is, whether the Bank had not the power of maintaining the convertibility of the note without the Act of 1844?—The Bank had the power of maintaining the convertibility of the note; but in order to maintain it they were obliged to take steps which were injurious to the community.

3092. And those forcible steps, as you have already stated, you were prepared to take on the 22d of October in last year?—What I stated was, that supposing the reserve of the Bank, in the opinion of the Court, was not sufficient to meet the liabilities of the Bank, we should have been bound to have gone into the market and make any sacrifice for the purpose of maintaining the banking department.

3093. And you would probably have had recourse to that means?—If the necessity had arisen we should have had recourse to it.

3094. You said that the misfortune was that the Bank of England, before the Act of 1844, had given accommodation to such an extent that it was at last compelled to take such stringent measures as to produce the failure of a great many houses?—I stated that in 1825, 1837 and 1839, the Bank not having paid sufficient attention to the state of the foreign exchanges and the export of bullion, allowed the bullion to fall so low, that for the purpose of recovering its position they were obliged to take violent and stringent measures.

3095. There have been probably as many failures in the year 1847 as in either of those years which you have mentioned?—It is difficult to compare 1847 with any other period; I do not think there is any other period in which we have had such large speculation, and so sudden a contraction of the circulation as resulted from the large export of the precious metals.—(Mr. Prescott.) In my opinion, the distress in 1825 was much greater than the distress in 1847.

3096. Were not the failures at the previous periods to a great degree stopped by the relaxation that the Bank made in issuing one-pound notes?—(Mr. Morris.) I do not think the failures were stopped by that means; relief was given to the community in general, not by the issue of one-pound notes, but in consequence

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of the issues of Bank notes replacing those of the country banks which had been annihilated by their failure.

3097. The Bank of England in October made a loan to the Copper Miners' Company?—Yes.

3098. You stated that you would give to the Committee the rates of interest of the loans made by the Bank in October?—I intended to have brought with me a paper giving that information, but it was not prepared; I observe, that up to the 25th of October the amount of extraordinary aid was 2,800,000 *l*.

3099. You lent this money to the Copper Miners' Company at 5 per cent.; what was the minimum rate of interest you charged at that time to the commercial public?—The minimum rate was 5½ per cent.

3100. You did very little discount at 5½ per cent., did you not?—Very little.

3101. Was not the average rate at which you discounted 7 per cent.?—It was not so high as that, but it would be above 5½; we lent to the Copper Miners' Company at a lower rate than we should have lent money upon bills, the Usury Laws not allowing us to lend upon mortgage at a higher rate than 5 per cent.

3102. But did not you lend out this money upon guarantee notes?—We lent on mortgage, having the guarantee notes as collateral securities, and we required of our solicitor if we could not charge more than 5 per cent., and he said if we did so the whole transaction would be illegal.

3103. Had you any doubt about the value of those guarantee notes?—(Mr. Prescott.) It was for the interest of the parties who gave the guarantee notes that we should take a mortgage, as well for their protection as the protection of the Bank; the whole advance was covered by the security of real property, and, that being the case, in the opinion of the solicitors of the Bank no higher rate than 5 per cent. could by law be charged.

3104. (To Mr. Morris.) You stated that you lent 300,000 *l* to one bank in Consols?—Yes, 300,000 *l* to one bank, and 100,000 *l* to another.

3105. In what way did that operation take place?—We transferred the Consols in September or October, and in January they re-transferred them to us; we received no remuneration except the dividend which accrued upon them.

3106. Did they ask you for Consols, or did you offer them Consols?—We refused to discount bills; upon which they were anxious to have some other means of meeting their engagements, and I forget whether we offered them Consols or whether they asked for them; I think the proposal came from ourselves.

3107. You refused discounting, not from any doubt of their own solvency or the value of the bills which they offered?—They stated that they required a certain amount of assistance, and, in answer, we told them that they might have Consols to the amount of 300,000 *l*, upon the distinct understanding that it was to carry them through; I do not think they proposed taking Consols.—(Mr. Prescott.) The Royal Bank of Liverpool, to which the question refers, applied to us for an advance of money to meet the claims made upon them; we said that they had already had a large amount of discount, and that we were not in a condition to make a further advance of money, but that as they were hard pressed we were willing to make an advance of stock, which they might realize in the market; it was the same thing as if the Bank itself had realized the stock in order to render them assistance.

3108. Mr. T. Baring.] You gave them Consols instead of bank notes?—(Mr. Morris.) Yes, it suited us better to give them Consols than bank notes.

3109. As you gave them Consols, it was not from any want of confidence that you refused to discount for them?—(Mr. Prescott.) It was upon security that the advance was made.

3110. Do you think that a desirable plan for a national establishment to follow, to lend the public securities of the country?—(Mr. Morris.) The only difference between our giving them Consols and advancing them money was, that they sold the Consols, instead of our doing so; there was no reason why they should not do it rather than ourselves; they were to return us Consols for Consols, and any depreciation which might take place in the price of the Consols was to be at their cost.

3111. Is there not this difference, that they might sell those securities in such a way as to affect the stock market; whereas you might have sold them without producing an injury to the stock market, which affects not only the Bank, but other parties in obtaining money?—We sold them without producing any visible effect upon the market; the 300,000 *l*. were sold by the Bank broker, and he has given me a paper showing what the effect was upon the market. From that

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paper it appears that the effect was very trifling. The Consols were sold on the 7th, 14th and 19th of October. On the 6th, the day before the first sale, the price of Consols was 84½, 83½, 84½, 1. 1. ½. On the 7th, the next day, we sold 150,000 £. at 84½, the price being in the course of the day 84½, 84½, 84½, leaving off at ½ higher; therefore the sale of the 150,000 £. did not seem to produce any effect upon the market. On the 13th of October, the day previous to the second sale, the price was 83, 82½, 82½, 82½. The Bank broker sold on the 14th 50,000 £., 10,000 £. at 81, and 40,000 £. at 80½; the price after the day on which he sold them was 80½, 81½, 80½ and 81½, and the day he sold them the price was 81½; so that there was scarcely any fluctuation.

3112. Was it not known on the day of his first sale that he had not got through his whole amount?—I do not think attention was drawn to the sale; the order was sent to the Bank of England as agent for the branch to sell it for them; the last day, the 19th, he sold 100,000 £. Consols, 64,000 £. were sold at 79½, and 36,000 £. were sold at 79; the price of the previous day, the 18th, had been 81, 81½, 80½, 80½, and 79½; on the 19th of October, the day on which he sold, the market opened at 79½, and fell to 78½, 79½, and 79½; he sold at 79½; the price then went to 79½ and 79½; the day after the price opened at 79½, and closed at 80, so that the effect of selling the stock in the market was not materially to depress the price of the funds.

[The Witness delivered in the Paper, which was as follows:—]

7 October, 1847	-	-	-	sold 150,000 Consols	a' 84½ per cent.
14 "	"	"	"	sold 60,000 "	" 10/16 a' 81 }
				" 40/16 a' 80½ }	per cent.
19 "	"	"	"	sold 100,000 "	" 64/16 a' 79½ }
				" 28/16 a' 79 }	per cent.

The price of Consols upon the under-mentioned days was, on—

5 October 1847	-	-	-	84½ a' 83½, a' 84½, a' 1. 1. ½, a' 1. 1. ½.
7 "	"	"	"	84½ a' 1. 1. ½, a' 1. 1. ½.
8 "	"	"	"	84½ a' 1. 1. ½, a' 1. 1. ½.
12 "	"	"	"	83 a' 82½, a' 1. 1. ½, a' 1. 1. ½.
14 "	"	"	"	81½ a' 80½, a' 81½, a' 80½, a' 81½.
16 "	"	"	"	80½ a' 81½, a' 80½, a' 81½.
18 "	"	"	"	81 a' 1. 1. ½, a' 80½, a' 1. 1. ½, 79½.
19 "	"	"	"	79½ a' 78½, a' 79½, a' 1. 1. ½, a' 1. 1. ½.
20 "	"	"	"	79½ a' 1. 1. ½, a' 1. 1. ½, a' 1. 1. ½, a' 80.

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3113. The day before the sales began the price was 84½, and when the sale was concluded it was 80½—Yes; but the fall was not in consequence of those sales; the savings banks and other parties were selling largely.

3114. Sir James Graham.] What is your opinion of the effect that would have been produced if the Bank of England directly had sold that amount of Consols on those different days?—I think the effect would have been nearly the same.

3115. If the sale had been effected directly for the Bank, would it not have been known that the Bank was selling stock on those different days?—We transferred the stock into the name of the manager of the Royal Bank of Liverpool, but the stock was sold by the Bank broker, therefore the public may have thought the sale was made for account of the Bank; when stock is sold on account of the Commissioners for the Reduction of the National Debt, it is often supposed that the Bank is selling, when it is, in fact, a sale for other parties.

3116. The effect produced would have been the same whether it was sold directly for the Bank or the party for whom you were making the advance?—If it had been known that the Bank were selling, the effect might have been greater, but I do not think to any extent.

3117. Mr. T. Baring.] The Bank would have sold securities if it had been necessary?—They would have sold if they wanted to strengthen their reserve.—(Mr. Prescott.) The advance of so large an amount to the Royal Bank of Liverpool, in cash, would have entailed upon the Bank the necessity of realizing some of the public securities.

3118. That is according to the Act or to the mode in which you manage the Bank?—(Mr. Morris.) According to the sound principles of banking.

3119. But if it had been safe it might have been prudent to spread it over a larger period?—The realizing a sum of 300,000 £. is not material.

3120. In October the gold export had ceased?—Yes; the export of gold to America ceased about the middle of August.

3121. We

3121. We have a return from Liverpool, which shows that between the 4th May and the 19th October, the total export of gold was 592,933 *l.*, and that on the 4th May it was 148,996 *l.* and on the 19th May 186,546 *l.*; it would therefore leave considerably under 200,000 *l.* exported between the 19th May and the 19th October?—I cannot check that.

3122. But, according to this return, it would appear that there was an export of 200,000 *l.* between May and the end of October; there would be nothing alarming in that?—No.

3123. The exchanges with the continent were favourable?—The exchanges turned about the 22d of October; previously to that the exchanges were low.

3124. Was there any silver or gold exported?—There was nothing exported, and there was a slight import taking place at that period; but the exchanges had not turned decidedly until about the 22d of October.

3125. You stated that there had been imports of gold?—I stated that from the 1st of August to the 30th of October we had imported about 400,000 *l.* from the continent; there was also 900,000 *l.* from South America, which has nothing to do with the exchanges.

3126. Does that include all the sovereigns of full weight that were paid into the Bank?—No, they form no part of those amounts.

3127. Was there not a considerable amount of sovereigns paid into the Bank during that period?—Not from abroad; we had not received any sovereigns from the continent; passengers coming over may have brought a few, but we did not receive any from abroad till they came from America.—(Mr. Prescott.) The total quantity of gold coin in the Bank diminished during the period in question.

3128. At that time it was pretty well known that the harvest was not a deficient harvest?—(Mr. Morris.) Yes, it was.

3129. Therefore there was no reason to imagine that there would be a drain of gold for corn?—No.

3130. You stated that during that period no bill was refused discount by the Bank of England, except upon its own merit?—No bill offering sufficient security was refused discount in London.

3131. Am I to understand that the instructions or orders given to the waiting committee were to discount everything that was good, or were they to regulate the discounts with a view not to discount more than was possible?—The amount was regulated by the rate of interest charged, and not by limits fixed to parties offering bills.

3132. You stated that there was a certain limit for parties discounting?—No; I stated that there was a certain figure put down against the parties' names, to indicate the security which they themselves individually offered; but that is merely as a guide as to the extent to which their responsibility is to be taken; it is a classification of houses.

3133. Would any excess of that amount, if offered, be considered a demerit in the bill?—No.

3134. You would not say to a party, "We cannot discount this bill, because we have had as much as we like of these signatures?"—If it was a first-rate bill, there would be no difference in regard to the amount; supposing it should be a bill of a different description, the party having a large amount, and not being a first-class house, his name would not offer the same security.

3135. And in that way you exercise a discretion; you refuse when it is an amount beyond what you wish to have?—Yes.

3136. But at that time every other channel for discount was closed?—It was said out of doors that every other channel was closed; but other parties were discounting, though not to the extent that they had been previously.

3137. Those parties who applied to you did not at that time get the same facility of discount elsewhere as they get in ordinary times?—No.

3138. Therefore the natural consequence was, that they should apply for discount to the Bank of England?—The natural consequence was, that if they required discount, not being able to get the accommodation which they had in the usual channels, they would apply to the Bank of England.

3139. If they applied for more than was thought usual, they were refused?—Provided the bill brought for discount offered sufficient security, it would be done; if, in the opinion of the committee, the amount under discount with the party was large, compared with the responsibility which he himself offered, and the bill did not afford sufficient security independent of his name, he would have been refused in consequence of the want of sufficient security.

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3140. But in ordinary times a party getting discount from you upon the merits of his bill for 10,000 *l.* would get elsewhere discount for 5,000 *l.*; but if that resource was cut away from him, he would come to the Bank for the 15,000 *l.*?—He would not get the additional 5,000 *l.* because his resources were cut off in other quarters.

3141. That does not affect the merits of his bill, because if he obtained 15,000 *l.* discount, the merit of the bill is the same, whether he discounts 15,000 *l.* with the Bank, or whether he discounts only 10,000 *l.* with the Bank, and 5,000 *l.* with another party?—If the bills are not of the first class it may suit the Bank to do a certain amount, and it may suit a broker to do a certain amount, because each runs a certain risk; but the amount that the Bank would take would be limited by the credit which they ought to give the party.

3142. What in ordinary times do you suppose is a sufficiency of the bank notes in circulation to give reasonable facilities for business?—From 1844 to 1846 the notes out with the public were, as nearly as possible, 20,000,000 *l.*, and they do not seem to have been much under 19,000,000 *l.*, except in 1847; the notes out with the public are exclusive of the notes held in the banking department.

3143. When there are 20,000,000 *l.* of notes out, do not you find them coming back?—I should call 20,000,000 *l.* a high amount.

3144. In the middle of September 1847, I think the notes in the hands of the public were under 18,000,000 *l.*?—On the 18th of September they were 17,932,000 *l.*

3145. The rate of interest was 5½ per cent.?—Yes.

3146. At that time there was no very great pressure?—That was about the period, I think, of the failures in the corn trade; partly, the pressure had begun at that time.

3147. What was the highest amount of notes in the hands of the public during the last autumn?—Twenty millions eight hundred and thirty-three thousand pounds; but that was soon after the payment of the dividend; it was on the 30th of October; that was the highest amount of notes in circulation.

3148. Did the amount gradually increase up to the time of the issue of the letter relaxing the law?—The letter came out on the 25th, and on the 23d the amount was 20,318,000 *l.*; but it is difficult to take this period, because it is the period of the payment of the October dividend; the act of payment of the dividend invariably increases the amount of notes out with the public; on the 9th of October, that was before the payment of the dividend, the amount of notes with the public was 18,640,000 *l.*, having been on September the 11th 17,841,000 *l.*; therefore that would be an increase of about 800,000 *l.*

3149. Do you mean to say that the increase was the effect of the payment of the dividend?—I mean to say that it increased at that period, and a very considerable portion of the increase was owing to the payment of the dividend.

3150. Do you ascribe that to the payment of the dividend, and not to the demand of the public for accommodation?—It must have increased also on account of the demand of the public for accommodation.—(Mr. Prescott.) I should attribute the greater portion of the increase in the circulation to the panic.

3150*. Then, very soon after the letter, it decreased; there was a regular decrease each week to the end of the year?—(Mr. Morris.) Yes, there was a regular decrease, but in the natural course of events there would have been a decrease in consequence of the additional issue on account of the dividend returning to the Bank; on the 30th of October, the amount was 20,833,000 *l.*; on the 6th of November, it was 20,386,000 *l.*; that is about the amount it was at the period when the letter was issued; on the 13th of November, it was 20,051,000 *l.*; on the 20th of November, 19,295,000 *l.*; and it went on decreasing up to the 24th of December, when it was 17,823,000 *l.*

3151. Did the distrust of individuals immediately cease upon that letter coming out?—The panic was very much allayed by it.

3152. Were there not many failures up to the end of the year?—There were failures after the issuing of the letter.

3153. Did there not exist a good deal of commercial distrust after the letter came out?—The effect of issuing the letter was very much to relieve the want of confidence; there was still a want of confidence, but not to the same extent.

3154. As far as the letter would affect commercial confidence, was not its effect to give facility to parties who had real securities to offer?—Yes, but the complaint before that was, that parties having securities to offer had not the means

means of obtaining bank notes, and therefore the parties said, "Though we have security we shall not be able to meet our liabilities." *James Morris, Esq. and H. J. Prescott, Esq.*

3155. If commercial distrust still existed to a great degree up to the end of the year, whilst the amount of bank notes out with the public was gradually diminishing, do you not attribute the demand for bank notes up to the time of the letter relaxing the law to the distrust of one merchant of another?—I think the distrust decreased very much indeed after the issuing of the letter. *10 March 1848.*

3156. Were there not some apprehensions of the effect of over-trading?—There were fears with respect to parties who had been trading beyond their means.

3157. Does it not show that the panic was really produced, not by the distrust of man of man, but by an apprehension arising from the restriction of the currency?—The origin of the panic was the distrust arising in consequence of the state of commercial houses, and the failures which were taking place; it was impossible to know whom to trust; that created a pressure for money, and that pressure increased to panic; when the letter was issued the panic was relieved, as far as the difficulty of obtaining the bank notes was concerned.

3158. And the fact of the gradual decrease of notes out with the public showed that the real drain upon the Bank was stopped by the letter of relaxation?—It showed that the drain upon the Bank was stopped by the letter of relaxation, not on account of there not being a sufficient amount of bank notes in the country, but in consequence of parties hoarding notes, or keeping a larger amount than they required; the letter, by allaying the panic, brought notes out into circulation, and the consequence was that they returned to the Bank.—(Mr. Prescott.) It proved that the panic was over, but it is a question whether it would not have ceased without the letter.

3159. In what way could it have ceased without the letter?—It is in the nature of panic to exhaust itself.

3160. That is, when a good many houses have failed, there are not so many remaining that can fail?—That is one reason; but I may add that in a week or two there must have been a great increase of the circulation by the importation of bullion.

3161. At that time you communicated constantly with the Government?—(Mr. Morris.) We were in constant communication with the Government.

3162. Yourself?—The Deputy-governor and myself, or myself and some other member of the committee of treasury.

3163. Were the other members of the committee of treasury who communicated with the Chancellor of the Exchequer of the same opinion as yourself as to the strict maintenance of the Act of 1844, without any relaxation?—My impression is that they were.

3164. No member of the committee of treasury who held a contrary opinion was deputed by the Bank to communicate with the Chancellor of the Exchequer?—With regard to deputing any parties to communicate with the Chancellor of the Exchequer, the Deputy-governor and myself were very much engaged in consequence of the difficulties of the time; and it so happened that those parties who were favourable to the maintenance of the Act, were those who acted with the Deputy-governor and myself; the others coming rarely to the Bank we had not the same opportunity of asking them, but there was no intention of drawing any distinction.

3165. At that time did you communicate with any party, either directly or indirectly, not connected with the Government out of the direction of the Bank?—Not officially.

3166. But were those parties, with whom you communicated, parties who like yourself thought it right to maintain the Act in its full operation?—If any individual came to me at that period, whether he was favourable to the Act or not, naturally the conversation turned upon what was likely to happen, and upon the subject of the letter, and I may have talked the subject over with parties of all opinions.

3167. You did not consult any particular party?—No.

3168. You are quite satisfied with the Act as it at present stands?—Yes; I suggested a slight alteration with respect to the proportion of silver; but, on the whole, I am quite satisfied with the Act as it stands.—(Mr. Prescott.) I have not heard of any mode by which it could be improved; but I do not say it is perfect.

3169. Is that the opinion of the majority of the Court?—(Mr. Morris.) I can hardly say what is the opinion of the majority of the Court; no division has ever been taken upon the question.

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3170. If circumstances similar to what occurred last year should recur in this country, the country is to expect the same mode of treating the case on the part of the Bank?—Yes.

3171. Whether it be an internal drain, or whether it be an external drain, the only remedy that the Bank direction consider ought to be applied, is restriction in some mode or other, they preferring a rise in the rate of interest, and leaving it to the Government to interfere when it thinks right?—I cannot speak to the opinion of the Bank, but I speak to my individual opinion; my own individual opinion is, that that is the case.

3172. The Committee understand you to think that though interference was justifiable on the 25th, any previous interference would have been improper?—Yes; but I am not prepared to say that the interference on the 25th was unnecessary.

3173. So that, according to your opinion, before the Government would be justified in interfering, we must have the same extent of panic and alarm and of failures?—I think the Government would not be justified in interfering under a less state of alarm and excitement than prevailed on that occasion.

3174. You draw no distinction between the case in October, when the demand was not from a foreign export of gold in any way, or an unfavourable state of the exchanges?—As far as the banking department of the Bank is concerned, it is immaterial to them whether the demand upon the reserve arises from an internal or an external drain.

3175. The exercise of the discretion of the banking department in your opinion has been occasionally productive of evil. You stated that you thought it an injudicious step in the banking department to lower the rate of interest in August 1846?—I beg your pardon; I stated that I thought the Bank was perfectly justified in lowering the rate of interest in August 1846. I stated that in anticipation of imports from America in October and November, the Court would, in my opinion, have acted more prudently in putting the rate of interest up at that period, but I did not find fault with their lowering in August.

3176. But you think they ought to have raised the rate of interest higher previous to April 1847?—Previous to January; it was raised in January.

3177. You stated that the reserve in April was not maintained sufficiently?—No.

3178. Those were acts of discretion of the banking department; would you put any limit upon the discretion of the Bank in the banking department?—No.

3179. You would put no limit as to the amount of the reserve in proportion to the deposits or liabilities?—No; it would be difficult to carry it out.

3180. Therefore, the Bank has a discretion which may tend injuriously to the public; but when a calamity from the exercise of that discretion arises, the Bank has no power of remedying it except by a great contraction of the circulation?—Assuming the action of the Bank to be to allow an undue reduction of its reserve, the only means the Bank would have of regaining its position would be by taking measures to strengthen its reserve, either by selling securities or by raising the rate of interest, or limiting its accommodation.

3181. Either of those courses would produce inconvenience to the public?—Yes; it would produce inconvenience to the public, whether it was done by the Bank of England or any private bank; but of course the Bank of England could do it to an extent that a private bank could not.

3182. In 1839, which was a somewhat similar case, the whole of the issues of Great Britain, including the private and joint stock banks with the Bank of England, were 3,000,000*l.* or 4,000,000*l.* more than they were in October 1847?—I do not recollect.

3183. Does not the limiting the amount of the issues of the private and joint stock banks give the contraction of the circulation by the Bank of England more immediate and greater power?—Yes.

3184. Therefore, it produces much greater effect upon the public?—It increases the effect of the Bank's action upon the public.

3185. Might it not, therefore, with greater safety than before, increase its issues?—No; I think not.

3186. The private and joint stock banks, not having the power of increasing their issues, might not the Bank of England increase its issues to a greater extent, since it may calculate with perfect accuracy upon the whole extent of the issues in the kingdom?—The effect of the Bank increasing its issues would be as prejudicial to the public as an increase of the issues of the joint stock banks.

3187. But

3187. But there cannot be the same competition of issue?—No; but whether an increased issue is produced by competition, or whether it takes place without competition, the effect out of doors is the same.

3188. But as you would not have another body issuing by your side, you might increase your issues?—No; the Bank could not safely make those issues, because it is necessary to keep a certain reserve to meet their depositors; supposing you increase the issues beyond that amount you will endanger the stability of the banking department.

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H. J. Prescott, Esq.
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Martin, 14^e die Martii, 1848.

MEMBERS PRESENT.

Mr. Chancellor of the Exchequer.	Mr. Cayley.
Mr. Glyn.	Mr. Spooner.
Sir William Clay.	Mr. Tennant.
Mr. Hume.	Mr. Dismali.
Mr. Labouchere.	Mr. Heeries.
Mr. T. Baring.	Mr. Cardwell.
Mr. Alderman Thompson.	Mr. Wilson.
Lord George Bentinck.	Mr. Thorneley.
Mr. Home Drummond.	

THE RIGHT HON. F. T. BARING, IN THE CHAIR.

James Morris, Esquire, Governor of the Bank of England, and Henry James Prescott, Esquire, Deputy-Governor of the Bank of England; further Examined.

(Mr. Morris.) I WAS requested to bring a statement of the special advances and discounts which were given at the latter end of last year. Between the 15th of September and the 25th of October 1847 they amounted to 2,255,000 £., and from the 26th of October to the 16th of November 1847 they amounted to 950,000 £., making together 3,250,000 £.; I was also requested to furnish the rates of interest at which the advances were made.

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[The Witness delivered in the same, which is follows:]

ADVANCES AND SPECIAL DISCOUNTS.

From 15th September to 25th October 1847.

The Bank advanced—		£.
(1.)	At 5, 5½, 6, 6½, 7, 7½, 8 and 8½ per cent. - - - -	890,000
	And, on their account,	
(2.)	On mortgage at 5 per cent. - - - - -	90,000
(3.)	On the security of real property at 5½ (part of 50,000 £.) -	15,000
(4.)	A loan of Consols - - - - -	300,000
(5.)	A loan of Consols - - - - -	100,000
(6.)	At 5 per cent., on real property - - - - -	100,000
(7.)	- - - - -	80,000
(8.)	At 8 per cent. - - - - -	50,000
(9.)	At 5 per cent., on security of real property - - - -	15,000
(10.)	At 9 per cent. - - - - -	100,000
(11.)	At 6, 6½, 7, 7½, 8, 8½ and 9½ - - - - -	545,000
		£. 3,255,000

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From 26th October to 14th November 1847.

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The Bank made further advances—		£.
(1.)	At 8 and $\frac{1}{2}$ per cent. - - - - -	91,000
(3.)	At $5\frac{1}{2}$ on mortgage - - - - -	30,000
(2.)	At $5\frac{1}{2}$ on mortgage - - - - -	15,000
(6.)	At $5\frac{1}{2}$ on real property - - - - -	20,000
(11.)	At $8\frac{1}{2}$ and 0 per cent. - - - - -	225,000
(12.)	At $8\frac{1}{2}$ - - - - -	100,000
(13.)	At $8\frac{1}{2}$ and 0 per cent. - - - - -	260,000
(14.)	At $8\frac{1}{2}$ per cent. - - - - -	100,000
(15.)	At $8\frac{1}{2}$ per cent. - - - - -	30,000
(16.)	At $9\frac{1}{2}$ - - - - -	60,000
(17.)	At $5\frac{1}{2}$ on mortgage - - - - -	20,000
		£. 950,000
First Period - - - - -		£. 2,250,000
Second ditto - - - - -		950,000
TOTAL - - - - -		£. 3,200,000

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3189. Sir William Clay.] You have stated that you conceived the object of the Act of 1844 to have been to ensure our mixed currency, consisting of notes and metallic money, fluctuating in amount as a currency wholly metallic would fluctuate; do you not think, therefore, that the success of the measure must be tested by the degree in which that object has been attained, and that it is no proof of its failure that inconveniences have been experienced, since its enactment, which might have been equally felt under a system of currency wholly metallic?—Yes, that is my opinion.

3190. Is it not true that the amount of the circulating medium, in any country where either it is wholly metallic, or consisting partly of metallic money, and partly of notes convertible into metallic money, at the will of the holder, must be permanently governed by the operation of those natural laws by which the precious metals are distributed throughout the world; and is it not true, that the Act of 1844 was intended merely to obviate the perils and inconveniences which experience had shown to flow from a contravention of those laws, and from attempts to maintain or enlarge the amount of the circulating medium at periods, when in obedience to those laws, it should be in course of diminution?—Yes; that is in accordance with the opinion I have expressed.

3191. The Committee may assume that that is the true exposition of your opinion?—Yes.

3192. Is it correct, then, to say, that the Act of 1844 has the effect of restricting the amount of the circulating medium, since it permits it to expand to the utmost limit possible under the operation of those laws?—The restriction is precisely the same as would occur with a metallic currency.

3193. (To Mr. Prescott.) Is that your opinion?—The Act does not tend to restrict the amount of the circulating medium farther than is necessary to maintain its value.

3194. (To Mr. Morris.) If, in contravention of those laws, the portion of our circulating medium consisting of paper be enlarged when the natural tendency is towards a diminution of the whole amount, will not the effect be this; not that the circulating medium will be enlarged to the extent of the notes issued, but that the notes will be returned for gold, and that we shall have a circulating medium of the like amount as if they had not been issued; but resting by the precise amount of such issue, less on gold and more on securities?—(Mr. Morris.) Yes, I have so stated already; I stated that when there was a contraction of the notes of the issue department to about 22,000,000*l.*, the exchange turned,

turned, and if any additional issues had been made upon securities, there would have been so much less upon gold.

3195. Might not this process be carried on until all the gold, held by the Bank of England, should disappear and a suspension of cash payments be inevitable without our being one step nearer to a real and effective enlargement of the circulating medium?—In my opinion, that would have been the tendency in the month of October last.

3196. Do you not conceive that this precise process, followed by this precise result, and incurring the peril I have adverted to, was exemplified by the conduct of the Bank of England and the other banking establishments of the country, in the years 1824, 1825, and 1837 and 1839?—I have already stated in my evidence, that at those periods I thought the Bank had not sufficiently regarded the state of the foreign exchanges.

3197. Do you not think that at those periods the continued issue of notes at the time when, by the operation of an adverse exchange, specie was flowing out of the country, had the effect not of really and truly enlarging the whole circulating medium, but simply of substituting bank notes for gold?—Certainly.

3198. Do you not think it probable that if the Act of 1844 and 1845 had not been passed, looking on the one hand at the unparalleled difficulties the country has had to encounter, and on the other, to our past experience of the management of the circulation under similar circumstances, we should have seen attempts made to counteract the inevitable diminution of the circulating medium by fresh issues of paper, that such issues would have caused a further abstraction of gold, and that we should thus have had added to the monetary difficulties we actually have experienced in 1847, the still more formidable evil of the danger of a suspension of cash payments?—I think it is very probable.

3199. And would not it all probability the Bank have found it necessary to avert this danger, by far more stringent measures than were really resorted to in 1847?—Yes, such was the case in 1825.

3200. In point of fact, the amount of paper, which by the Acts of 1844 and 1845, the Bank of England and the other banks of the United Kingdom are permitted to issue against securities, is in round numbers about 32,000,000*l.*; viz. the Bank of England 14,000,000*l.*, and the other banks of England, Scotland and Ireland 18,000,000*l.* Are you not of opinion that the permission to issue that amount of paper money against securities has no necessary relation to the whole amount of the circulating medium, but merely indicates the degree to which the legislature conceived that the country might safely economise the use of the precious metals, experience having shown that the sum of 32,000,000*l.* was below the amount to which, under any probable state of adverse exchanges, our circulating medium was likely to be reduced?—My opinion is, that the amount which was fixed by the legislature, was the amount which it was considered might safely be issued upon securities, without at any one period endangering the convertibility of the note; the object being the convenience and economy of paper as a substitute for a metallic circulation.

3201. In fixing that amount, there was no intention to restrict or limit the total amount of circulating medium?—No; the intention was to leave the restriction and expansion of the circulation to be regulated by the efflux and influx of bullion.

3202. If, therefore, by the Act of 1844, the Bank had been permitted instead of 14,000,000*l.*, to issue 16,000,000*l.*, 18,000,000*l.*, or 20,000,000*l.* against securities, you do not think that our total circulating medium would have been by so much the larger, but only that the paper portion of it would have been by so much the less issued against bullion?—I have stated, that in my opinion, it would have been so in October; it would have been a substitution of issues upon paper, for issues upon bullion.

3203. Looking at the consideration to which I have adverted, and recalling to mind the drain of gold at various periods, and especially in 1839, do you think that the limit of 14,000,000*l.* is too low?—No.

3204. You conceive that the true light in which the Bank should now contemplate its own position, and in which it should be viewed by the country is, as if it consisted solely of the banking department, and as if the issue department were a distinct government office, as much as the Exchequer bill office, and located, as you have said in answer to a former question, at Whitehall?—Yes, I do.

3205. It follows that the Bank of England is simply and merely a bank, pre-eminently

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eminently powerful no doubt, but still merely a bank, bound to attend to the same rules in the management of its affairs, and exposed to the same risks from the neglect of such rules as any other banking establishment?—Yes.

3206. May the available powers of the Bank of England to afford banking facilities be stated in the following figures: capital, 14,553,000*l.*; rest, 3,500,000*l.*; amount of deposits, as well government as private deposits, 15,000,000*l.*; making together 33,053,000*l.*, an amount applicable to banking purposes unequalled, probably, in the world, and capable of producing the greatest national benefits, but which, in your opinion, I judge, from the answers you have already given, might prove insufficient if mismanaged?—I scarcely know what the insufficiency alludes to; if it is merely that it is possible so to mismanage a large establishment that it can no longer give facility to the country on account of its mismanagement, there is no reason why a large establishment may not be mismanaged as well as a small one.—(Mr. Prescott.) And the mismanagement may not only be detrimental to the interest of the Bank, but also to the interests of the public.

3207. The same danger might arise to the Bank and the public, notwithstanding its large capital and powers, that might arise to a much smaller bank; viz., they might run the risk of not being able to comply with their liabilities, by not keeping a sufficient rest, and by not attending to those rules of prudence which all minor establishments are bound to attend to?—(Mr. Morris.) I entirely agree in that.—(Mr. Prescott.) In enumerating the resources which the Bank have to employ, you have omitted bank post bills, which amount to from 800,000*l.* to 900,000*l.*

3208. Mr. Spooner.] They are unlimited, are they not?—(Mr. Morris.) They are unlimited, but they have scarcely exceeded 1,000,000*l.* of late years.

3209. Sir William Cley.] You conceive that the Directors of the Bank, notwithstanding its vast resources, are bound to look to events and the signs of the times, like any other bankers?—Yes.

3210. And if there should appear to be a prospect of the abstraction of specie, and a consequent diminution of the circulating medium, that they should husband their resources?—Yes.

3211. And limit the banking accommodation given to their customers?—I would rather answer the question in this way: looking at the export of bullion, and the effect such export would have upon the general circulation of the country, it would be necessary that the Bank should take measures for the purpose of protecting the reserve.

3212. You have stated, in answer to a former question, that in the autumn of 1846 there was a difference of opinion in the Direction as to whether the rate of interest should be raised; I will now refer you to the conduct of the Bank in the spring of 1847; on the 22d of January was not the rate of interest raised to 4 per cent.?—It was raised to 4 per cent. on the 21st.

3213. By the return of the 23d, it appears that the bullion in the issue department amounted to 12,776,360*l.*, the reserve to 6,843,790*l.*, and other securities, to 14,463,637*l.*?—Yes.

3214. On the 8th of April the rate of interest was raised to 5 per cent.?—Yes.

3215. By the return of the 10th of April, it appears that the bullion was 9,236,340*l.*, the reserve 3,463,628*l.*, and other securities, 18,136,377*l.*?—Yes.

3216. So that while the bullion had diminished 3,540,020, and the reserve 3,380,162*l.*, the securities had increased 3,646,720*l.*?—Yes.

3217. Do you conceive the conduct of the Bank Directors as indicated by these figures to be consistent with sound banking principles, it being notorious from facts then perfectly ascertained; viz., the failure of the potatoe crop in Ireland, the shortness of the harvest in England, the high price of cotton, and the absorption of capital in railroads, that we must experience a strain on our monetary system altogether, without parallel in our history?—The Bank raised its rate of discount to 4 per cent. in January; the Bank had also sold securities for the purpose of strengthening the reserve; but I should say, looking to the result, probably it would have been advisable to have taken more stringent measures.—(Mr. Prescott.) The lowness of the reserve at that period is to be attributed, in some measure, to the dividend having just been paid.

3218. Mr. Hume.] Is it not also to be attributed to the advances upon deficiency bills.—(Mr. Morris.) Not to the advances upon deficiency bills, but to the payment of the dividend.

3219. Sir

3219. Sir W. Clay.] Do you conceive that the Directors had any other duty than to consider events as they might affect them as bankers; do you imagine that it was any part of their business to consider whether the drain for gold was in payment of corn, or from any other cause?—No, it was not their duty to consider what the cause of the drain was. James Morris, Esq.
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3220. Do you suppose that if they had had the power of drawing such a distinction they ought to have acted in contravention of sound banking principles in consequence of such knowledge?—No.—(Mr. Prescott.) It was their duty to maintain their reserve whatever the causes of the drain of bullion were.

3221. (To Mr. Morris.) Is there, in your opinion, any other mode by which the tendency to an efflux of the precious metals, and the consequent diminution of the circulating medium can be arrested, (whether that efflux arise from a demand for corn, consequent on a bad harvest or from any other cause), than such a reduction of prices of commodities as shall lead to export, and such a rise in the value of money as indicated in an advance of the rate of interest, as shall tempt capital to flow hither for investment?—(Mr. Morris.) No, I think that there is no other mode by which that tendency can be arrested.

3222. Do you think that the monetary pressure of 1847 and the rise of interest, (considering them for the moment apart from the temporary panics of April and October), were more than were to be expected from the extraordinary circumstances of the country, or were more than were necessary to prevent a yet greater drain of the precious metals than actually occurred?—No, I think not.

3223. Recurring again to the question of the separation of the departments of the Bank, I will ask you, whether it would not be of great advantage that the public should be made aware of, and should thoroughly appreciate the important change in the situation of the Bank of England created by the Act of 1844, to which you have drawn the attention of the Committee; viz., that the Bank of England, so far as its own independent power of action is concerned, is in precisely the same condition as any other bank in the Kingdom; and do you not think that part of the inconvenience sustained last year, arose from the want of caution in some portions of the mercantile and banking community, engendered by the feeling that they were in the last resort entitled to expect from the Bank of England assistance, different in kind and greater in degree than they could expect from any other bank, however powerful?—If I were to assent to that I should be casting censure on the conduct of other banks, which I have no right to do; I may perhaps allude to one bank in particular, because it is notorious, that is, the Royal Bank of Liverpool, which with a paid-up capital of 620,000*l.*, advanced to one individual 520,000*l.*, that evidently was mismanagement. With respect to the management of other banks, I have no opportunity of knowing; what I stated before was, that great inconvenience appeared to arise from everybody thinking that they were entitled to have bank notes, provided they offered good security to the Bank.

3224. There was an apprehension abroad, and there is in the public mind an impression that they are entitled to look to the Bank of England for the exertion of some species of power, apart from and independent of their resources as mere bankers, and that in the last resort they are entitled to come to the Bank, and to say, "You must give us assistance?"—Yes, in 1847, persons expressed disappointment that they did not receive the assistance from the Bank which they seemed to consider that they were entitled to.

3225. Do not you think it very important that the public mind should be disabused of that error?—I think that the public must now be enlightened on the subject.

3226. Do not you think the power of relieving the pressure by the issue of paper can never be resorted to, and that experience has shown that it has never been resorted to, without ultimately enhancing the danger which it sought to obviate?—As a general principle, I think it is so.

3227. If the Act of 1844 had not been passed, and the Bank had still possessed the power of unlimited issue, was there any period of the year 1847, in which you think it would have been wise to use that power?—I have stated already in my evidence that I considered the Bank was bound to act upon the principles pointed out in the Act of 1844, whether that Act had been in existence or not.

3228. In your opinion, had the Act of 1844 any share, and if any, what share in creating the panic of 1847?—I stated that in April I thought the public were

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alarmed in consequence of the publication of the Bank's low reserve from their not being sufficiently acquainted with the working of the Act, and not knowing that at that period, after payment of the dividends, the tendency of the reserve is to increase, in consequence of the revenue coming in; but with that exception, I do not think the Act of 1844 had anything to do with the panic.

3229. Do not you think it clear that the panic was superinduced upon the inevitable monetary pressure of the year 1847, and that it was not a natural consequence of it; is it not clear from this circumstance, that the moment the panic was over the circulation was full, and there was no want of the circulating medium?—The panic did not arise from want of circulation, but probably it may have arisen from an apprehension of a want of circulation.

3230. Might the very same circumstances of panic have occurred if the circulation had been wholly metallic, and if there had not been a note in existence?—Certainly.

3231. Is it not certain, that in a case of panic, under any conceivable system of currency, there may be apprehension created in the public mind, and that that apprehension may induce people to hoard, and may produce a panic?—Yes.

3232. You have stated that the Bank did not require the issue of the letter of the 25th of October from any fear of their being enabled to meet their own engagements?—I have stated that, and I am still of that opinion.

3233. Do you think if they had limited, for two or three months prior to October, their banking accommodation, and husbanded their resources, and their reserve had been higher at the end of October, the growth of that alarm as to their not being able to give assistance, which ended in panic, might have been obviated?—It is difficult to answer that question; I have stated that panics arise from causes upon which it is impossible to reason; and therefore, what the result in that case might have been, I cannot say.

3234. Do you think the panic would have subsided if the letter of the 25th of October had not been issued?—I have no doubt it would have subsided, but I cannot say how soon.

3235. Had not the exchanges very decidedly turned previously to the issue of that letter?—The exchanges had decidedly turned on the 16th of October. The exchange on Paris, on the 2d of October, was 25.40; on the 9th of October, 25.60; on the 16th, 25.70 at three days' sight; therefore, the exchanges had decidedly turned previously to the issuing of the letter.

3236. Is it not then quite clear that two or three days more would have made it so manifest that money must shortly be obtained, that the panic would have subsided, under that general consideration of the greater abundance of money, without any interference at all on the part of Government?—The importation of bullion was not considerable at that period, but it came in in large quantities a short time afterwards.

3237. You do not feel clear, then, that the panic would have subsided in a day or two without the interference of Government?—I have stated more than once that the effect produced by the letter was to stay the panic, but I am not prepared to say whether, if the letter had not been issued, the panic would not have subsided at an early period.

3238. The bullion in the Bank on the 26th of June stood at 9,876,545 *l.*; on the 23d of October, at 7,865,445 *l.*?—Yes.

3239. The diminution therefore between the two periods was 1,811,100 *l.*; was that diminution occasioned by a foreign or an internal drain?—I will, with your permission, take a different period, because it will give a better comparison. The gold coin held by the Bank on the 14th of August was, 5,706,000 *l.*; and on the 31st of October, 3,504,000 *l.*; the difference between those two sums, amounting to 2,202,000 *l.*, I conceive to have gone out into the country.

3240. Then can you generally distinguish between a foreign and an internal drain?—Yes, we can. At the time of an export to America it is not so easy to distinguish, because sovereigns are exported; but in the case of an export to the continent of Europe it is easily distinguished, the demand being for gold in bars, or foreign coin.

3241. Do you think that, generally, the Bank ought to be regulated by any reference to whether the drain be a foreign or a domestic drain?—Whether the drain upon our reserve is caused by an internal demand or a foreign export, we
are

are equally bound to take the same steps for the purpose of maintaining our reserve.—(Mr. Prescott.) It may be necessary to take more stringent measures to correct a foreign drain than an internal drain, because an internal drain may very likely cease in a few days, whereas in the case of a foreign drain it might take a long time before any action could be produced upon it.

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3242. You have expressed an opinion in your former examination that it would be useful that the Bank should have a power of issuing more largely against silver, have you considered how the inconvenience might be obviated which arises from the circumstance that the Bank must, by law, pay in gold all its notes however issued.—(Mr. Morris.) Silver bullion gives a command over gold, and over bank notes; therefore, provided we hold a moderate amount of silver bullion, I do not think it at all interferes with the power of converting notes into gold.

3243. You probably think that the quantity of notes you might issue against silver would always be in addition to the quantity you would issue against gold?—The total amount issued upon bullion would be the same; if the Bank did not purchase silver, it would be sold in the market and sent to the continent, and gold would come in return, so that instead of silver we should make the same amount of issues upon gold.

3244. The gold which comes into the country will be of necessity brought to you instead of parties taking it to the Mint?—Yes.

3245. The whole of the gold that comes into the country must, therefore, of necessity come to you?—Not of necessity; at periods when there is a demand for gold for export, the parties exporting would buy the gold, but that does not often occur.

3246. Supposing you were unlimited in the quantity of silver you might issue upon, that issue would probably be in addition to the quantity of notes you could issue against bullion?—Yes.

3247. Did not the Bank in April refuse to issue against silver, though at that time the silver held by the Bank was 350,000*l.* below the limit prescribed by the Act of 1844?—Yes, but it was to a very small amount.

3248. Mr. *Comptroller of the Exchequer*.] Did they absolutely refuse to purchase silver?—Yes; I gave the answer to the parties who offered it, and therefore I am sure of the fact.

3249. Mr. *Spencer*.] Will you state why you refused it?—At that period there was a demand for gold, and it was leaving the Bank; we were bound to maintain the proportion of one-fifth of silver; on the 3d of April we held 8,066,355*l.* gold, and the proportion of silver would have been 2,016,588*l.*, but the silver held by the Bank was 1,488,285*l.*, which was less than one-fourth of the proportion by 528,303*l.*; on the succeeding week we had less than the proportion, by only 508,218*l.*; the next week by 405,680*l.*; and on the 24th of April, the period just alluded to, we had less than the proportion by 360,867*l.*, therefore we had lost between the 3d of April and the 24th, nearly 1,000,000*l.* of gold, and we had increased the proportion of silver; if the gold had decreased so as to have destroyed the proportion allowed by the Act of Parliament, we must have transferred a portion of the silver from the issue department to the banking department, for the purpose of preserving the proportions.

3250. Sir *William Clay*.] How is the refusal which you gave, and for which you have assigned a reason, consistent with the wish you have expressed, that the Bank should be left unlimited as to the proportion of silver to gold, upon which they might issue bank notes?—In my former evidence I stated, that I thought it might be desirable to allow a third to be issued on silver; and that one-fifth was too small a proportion.

3251. But have you not adverted to the considerable inconvenience to which you would have been exposed in purchasing silver last year?—That was because we could not increase the quantity without the danger of infringing the Act of Parliament; as gold was going out daily we could not afford to lose the gold and increase the silver.

3252. In consequence of the limit of the Act?—Yes.

3253. If there had been no such limit in the Act you would not have refused to take silver?—Certainly not.

3254. It must be known to you, I suppose, that the joint stock banks of London are excluded from the clearing house?—Yes.

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3255. Are you of opinion that that exclusion (which of course it is perfectly within the right and discretion of private banks to insist upon, if they please) tends to public inconvenience, inasmuch as it lessens, *pro tanto*, that economy of the circulating medium which the clearing-house is calculated to produce?—Allowing joint stock banks to clear with other bankers, I have no doubt would produce an economy in the use of bank notes.

3256. And economy in the circulating medium?—And economy in the circulating medium.

3257. And therefore assuming all other circumstances to be the same, there would be, by the admission of the joint stock banks to the clearing-house, a larger supply of bank notes for the convenience of the public?—There is an important question attached to that; I stated, that I considered 14,000,000*l.* of notes was the largest amount that should be issued against securities, any measure tending to economise the use of bank notes would lead me to state, that the limit of 14,000,000*l.* to be issued against securities should be reduced also.

3258. Still your opinion remains that the economy of bank notes, so produced, would be equivalent to an enlarged circulation?—Yes.

3259. Have you any means of ascertaining the amount to which the admission to the clearing-house of joint stock banks would economise the amount of circulation now required for the use of London?—I have not; I have heard it stated at half a million, but I cannot say if that is correct.

3260. I believe that the chairman of one large London joint stock bank; viz., the London and Westminster, did state publicly, that they were under the necessity of keeping a reserve of 150,000*l.* in bank notes, more than it would have been necessary for them to keep if they had been admitted to the clearing-house?—I know that he made some statement of that sort; I cannot say what it was.

3261. That must imply, not perhaps the necessity of a corresponding amount being kept by all private banks, but something approaching to it, inasmuch as all cheques on such banks held by joint stock banks must be presented in the course of the morning at the banks, instead of being brought to the clearing-house in the evening?—Yes.

3262. It is, therefore, not merely the amount of notes which the joint stock banks are obliged to keep in reserve, but the amount of extra bank notes which the private bankers are obliged to keep in reserve?—Yes.

3263. There are, besides the London and Westminster, four other joint stock banks in London; I believe their capital, from the published reports, amount to 2,645,000*l.*, paid-up capital, and their deposits to 8,864,000*l.*, together 11,509,000*l.*, of which these joint stock banks have the control?—I cannot say whether these figures are correct or not.

3264. But assuming that these figures are correct, and that it is also correct that one of these banks, viz., the London and Westminster, is compelled to keep 150,000*l.* more of notes in reserve, because they are not admitted to the clearing-house, is it not probable that the sum you have mentioned of 500,000*l.* is not too large an estimate of the increased quantity of circulating medium, which is rendered necessary by the circumstance of these joint stock banks not being admitted to the clearing-house?—Assuming as a fact, that the London and Westminster bank keep 150,000*l.* of notes more than than they would otherwise keep in consequence of not being able to clear, probably, I should say, that that statement is correct.

3265. But at all events, without assuming that these figures are exactly correct, is it not true, that that exclusion must, in reality, produce the necessity for a larger amount of circulating medium to supply the daily necessities of the public?—Yes.

3266. Mr. Glyn.] Do not the private banks clear with the Bank of England, by the use of cheques upon the Bank of England?—They have the option of doing so.

3267. That is a substitute for the notes which would be used, and that so far economises the bank notes?—Yes.

3268. Does not that observation also apply to joint stock banks; do not they clear, through the medium of cheques, upon the Bank of England?—Yes; but as far as regards clearing, it is a question between the joint stock banks and the private bankers.

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3269. But as far as regards the private banks and the Bank of England, the economy of bank-notes between them is carried to the greatest possible extent, inasmuch, as the private banks use cheques upon the Bank of England?—Yes.

3270. Mr. Cayley.] You have no doubt, that a system of circulation, varying precisely with the amount of the precious metals, is the best possible system that can exist?—I have no doubt of it.

3271. Under that system a large importation of corn must necessarily cause great pressure?—I do not see why a large importation of corn should cause a greater pressure under a metallic circulation than under any other.

3272. Did not the Committee understand you to say, that the proximate cause of the pressure in April last, was the large export of the precious metals?—Yes, occasioned by a considerable import of food.—(Mr. Prescott.) A large and unexpected importation of food.—(Mr. Morris.) And that too, acting upon a previous state of high credit and speculation.

3273. It is the interest of the Bank, is it not, to prevent the exportation of gold?—The Bank has nothing specially to do with it; except as it affects the issue department; the banking department is only affected by an export of gold, in the same way as private banks are.

3274. But speaking of the Bank as the managers of the circulation, is it not the interest of the Bank to prevent the export of gold?—The banking department has nothing to do with the circulation; the circulation is regulated by the issue department; over which, we have no control.

3275. Why does the Bank, in its banking department, under such circumstances raise the rate of interest?—If the amount of circulation in the country is diminished by an export of bullion, the value of money rises; and if the Bank in common with all other bankers, did not take steps for the purpose of protecting their reserve, it would be acted upon in consequence of the additional demand arising from the greater value of money.

3276. But to protect their reserve, they endeavour to afford an inducement against the export of gold?—As far as the export of gold goes, we consider it merely as an indication that money will be dearer; I can only repeat what I stated previously, that the effect of an export of bullion is to contract the general state of the circulation, and the value of money rises; and unless the Bank, and all other bankers took steps to raise the rate at which they employed their money, there would be an increased demand upon their reserves.

3277. If the reserve becomes very low, is it not necessary for the Bank to adopt rather stringent measures with regard to the rate of interest?—Certainly.

3278. When the Bank reserve is very low under the export of gold, it is impossible to afford an inducement for a speedy return of gold without creating great pressure?—The means of getting back the gold is, by making money dear, and causing a fall generally in the price of commodities, which will bring back gold.

3279. Then the means of attracting gold back to this country, after it has gone out, is to lower prices?—Prices will fall in consequence of the increased value of money.

3280. Under a great fall of prices, the Bank is comparatively safer?—A great fall of prices has a tendency to bring capital into the country, and as bullion flows into the country, it acts upon the reserve of the Bank and of all private bankers.

3281. But in order to attract gold back into the country, the more forced sales there are, and the lower the prices, the safer the position of the Bank is?—The lower the prices of commodities, the greater will be the tendency to the increase of the importation of the precious metals, and of the reserve of the Bank, and of bankers generally.

3282. Under that state of things, that is, a pressure arising from a fall of prices, in order to secure the return of gold, does not any accommodation afforded to the public rather tend to obstruct the fall of prices?—Yes.

3283. The less accommodation under that state of things, that is afforded to the public, the safer to the system?—The accommodation must of necessity, under that state of things, be reduced.

3284. During the pressure of April last, it became known to the public that there was a good deal of communication between the Bank and the Chancellor of the Exchequer; does it fall within your knowledge, whether the merchants of Liverpool applied to the Chancellor of the Exchequer, to induce the Bank to afford accommodation to the commercial public at Liverpool?—I do not know

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what time in April is alluded to; I was elected Deputy-governor in the middle of April, and Governor, on the 31st of August; therefore any communications between the Government and the Governors of the Bank previous to the middle of April, I am not prepared to speak to.

3285. In April last, did the Bank afford accommodation to the Liverpool houses?—In April last, the Bank afforded considerable assistance to the Liverpool houses.

3286. Was that done in consequence of the independent discretion of the Bank, or at the instigation of the Government?—At the discretion of the Bank.

3287. Before the deputation from Liverpool went to the Government upon the subject of accommodation, did they, or did they not, apply to the Bank of England?—Whilst I was Deputy-governor, there were one or two deputations which applied to the Bank, and I believe, those deputations went up to the Government afterwards, but it was the representation which the deputations made to us, which induced us to relax, and not any instruction or any representation from the Government.

3288. The Government did not hint to you that it might be safer for commerce that the relaxation should be afforded?—No.

3289. In all the advances that you have afforded during the last year to the commercial public, did you afford them in consequence of your own independent discretion, or had you any instigation from Government?—Excepting the issuing of the letter, on the 25th of October, the whole of the action of the Bank was entirely independent of any representation from the Government.

3290. You say that we lose capital by the export of gold, is it not for the interest of the country, as quickly as possible, to replenish that loss?—Yes.

3291. Would you say that throwing down prices and preventing the employment of labour was the best means of replenishing capital?—You are speaking of a period when such consequences could not be helped; we had a very large importation of food, and under the pressure arising from that, it was quite impossible that the country should escape without severely feeling the effect.

3292. Do you think, under a scarcity of food, any system can be advantageous to the country which deprives the labourer of wages and work at the time food is dearest?—I do not see how you can help it.

3293. Under the present system it is impossible to avoid it?—Under the present, or under any system, it is impossible to avoid it.

3294. Supposing your issues on securities had been 20,000,000 *l.*, instead of 14,000,000 *l.*, would, or would not, the public have had more confidence in obtaining possession of a sufficiency of the legal tender?—The public would have not less confidence, because we should have lost a proportionate amount of bullion.

3295. In order to obtain bullion it is necessary to throw down prices?—In order to bring bullion into the country, it is necessary that there should be a fall in the prices of securities and goods.

3296. Under that state of things, would you say that what was ruin to the country was safety to the Bank?—I have, in my answers, left the safety of the Bank entirely out of the question. We have been talking of the suffering of the country under a large importation of food, and the large exportation of bullion requisite to meet it; I put the Bank entirely on one side.

3297. Would you say that the process of forcing the return of gold is ruin to the country, was safety to the system of circulation?—I mean to say that, in consequence of the export of a large amount of bullion for the purpose of making a foreign payment, it was necessary that the circulation should be reduced to a proportionate extent.

3298. In reference to the export of 9,000,000 *l.* of bullion in the last year, have you at all calculated the extent of loss to the country by throwing down prices in consequence of the restrictive measures which the Bank took to bring back the bullion?—No, I have not.

3299. Are you aware that the Committee have had a return sent to them which puts the loss upon a certain amount of stocks and a certain amount of railway shares alone, in the course of last year, at 112,000,000 *l.*?—No; but I would observe that if those stocks and railway shares were held by parties in this country, it was only a loss as between individuals.

3300. Do you think it wise to produce a loss to individuals of 112,000,000 *l.* to get back 9,000,000 *l.* of gold?—I consider that prices were not thrown down

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in consequence of any restrictive measures which the Bank took, but that it was the result of the restrictive state of the circulation consequent upon a large export of the precious metals.

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3301. When the Bank found the gold going rapidly out in April, and subsequently, without the notes with the public, circulating medium having been materially diminished, did they not impose a very much higher rate of interest?—The Bank raised the rate of interest to 5 per cent., for the purpose of protecting their reserve under the export of the precious metals; but not only the Bank, but all the bankers in London did the same thing.

3302. If the losses upon the stocks alluded to, be 112,000,000*l.*, at what would you estimate the loss to the commercial public?—I cannot say.

3303. Do you not think it would be cheaper, on the whole, to the public, to be taxed at once, whenever there is a large export of gold, to the amount of say 10,000,000*l.* to pay for corn, than to sustain a loss of, perhaps, 150,000,000*l.* or 200,000,000*l.* by means of famine and pressure?—I do not see how that could be done; you cannot, by Act of Parliament, create capital, you can only pay for the corn by the *bona fide* capital of the country; an Act of Parliament does not create capital, and therefore I do not see how capital can be created by a tax for the purpose of making a foreign payment.—(Mr. Prescott.) I should not admit that any such loss had been sustained by the nation from the reduction of prices, the loss could only have been upon goods which had been disposed of to foreigners.—(Mr. Morris.) If it is merely an alteration of value, as between parties in this country, that will only affect the balance due from one to the other; if it is held on the account of foreigners, it will be different; if it is property held in this country, it is merely property changing hands, and therefore the depreciation in the value of the property merely affects individuals, without affecting the general property in the country.

3304. You mean that there is a great individual loss, without any loss to the community at large?—Exactly; there will be a loss to one individual, and a gain to another; if a man speculates upon a rise of Consols and they fall, he loses, but another gains.

3305. This loss is sustained in order to rectify the balance of trade?—The fall that takes place in the price of the commodities of the country is necessary for the purpose of rectifying the balance of trade.

3306. Would you say that the more gradually the balance was rectified the better?—Certainly.

3307. Is there no natural tendency towards a rectification, without the intervention of the Bank?—Considering the very large amount of grain which was suddenly imported into this country in the last year, I do not see how we could have escaped without a pressure; it was the sudden and large importation of corn which caused the pressure, by acting on the circulation.

3308. If the demand was sudden, was it equally likely to be continuous?—There was a larger amount of grain imported into the country than was necessary for the consumption of the country, attracted by high prices.

3309. Under ordinary circumstances, if the balance of trade were turned against us, would you think it necessary by means of a pressure to induce a return of gold?—Under ordinary circumstances, the pressure would be gradual, and would correct itself; but we are speaking of a period very different from what we have ever seen before; an enormous importation of food at a time when credit was high, and speculation very great.

3310. Is there any tendency in an adverse balance of trade to rectify itself?—Yes.

3311. How?—An adverse state of exchange arises from the imports of goods and securities exceeding the exports. An export of bullion will rectify the exchange by restricting the circulation, and thus lowering prices so as to check imports and encourage exports.

3312. Why should that affect the circulating medium?—The export of bullion causes a diminution of the circulating medium, by the withdrawal of an amount of notes equal to the amount of bullion exported.

3313. Is not an adverse balance of trade produced by an insufficiency of exports?—When the balance of trade is against us, it is in consequence of the amount of our exports being less than the amount of our imports; it is because prices are higher in this country than in other countries; and the only means of

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enabling parties to export, is by prices falling here to such a rate as they can afford to export at.

3314. From the exports being checked, would there not be a tendency to a glut of export goods till the prices fell, and would that not cause a check to the consumption of imported articles?—High prices would attract imports, and check consumption, so that a fall of prices would be the result.

3315. If the tendency of exported goods is to accumulate under a check to the export trade, and the tendency of prices under that state of things is to fall, would not that, if it led to a check of the consumption of imports, lower the price of imports and so tend to diminish importation?—Yes.

3316. And would not also the tendency be to increase the export trade, under that state of things?—Yes.

3317. If there be this natural tendency towards the rectification of the balance of trade, would not that be a reason for preventing, if possible, those violent actions upon the circulating medium which are produced, in order to rectify the balance of trade?—On the long run, the balance of trade will rectify itself; but the transmission of the precious metals is so much more rapid than the transmission of goods, that if a large and sudden importation of corn takes place, the immediate rectification will be through the medium of the precious metals; but eventually the rectification will take place through the medium of goods or securities.

3318. If there be that natural tendency, and the drain of gold be only temporary, would it not be very advantageous to the country if we could find some temporary substitute for that part of the currency which is composed of gold?—No; it was necessary that that portion of gold should go for the purpose of bringing about the pressure which would reduce prices, and lead to the export of goods.

3319. Did you not say that there was a natural tendency in trade to rectify itself?—Yes; if a sufficient period of time is allowed, there is a natural tendency in trade to adjust itself; but the rectification does not take place so rapidly through goods and securities, as through the medium of the precious metals.

3320. But during the absence of the precious metals, might it not be advantageous to the country and prevent great loss, if we had a temporary substitute for those precious metals?—If you have a temporary substitute, in the absence of the precious metals, you do away with the convertibility of the note; I am always bearing in mind the convertibility of the note.

3321. Then the price of the convertibility of the note, under that state of things, is the disemployment of labour and the ruin of the merchants of this country?—The pressure which the export of the precious metals causes, naturally will cause failures of parties who may have been over-trading, and will also cause a fall in the price of goods.

3322. And it will lead to a disemployment of labour?—Probably for a time it may lead to a disemployment of labour.

3323. Would you say that under a temporary scarcity of food there should be a free importation of grain?—Certainly.

3324. That in the absence of a sufficient home-supply we should find a substitute from wherever it could be got?—I should say so.

3325. Why should not that principle also apply to a scarcity of money?—A scarcity of money will be corrected by a rise in the exchange, which will produce an importation of bullion.

3326. And you think that the present system of currency, which contracts in proportion as gold is exported, is better than a system which would provide a substitute for the gold that disappears?—Yes; we need no substitute, because the increased value of money brings about its own cure by bringing back the precious metals.

3327. Then, by having a circulation which varies precisely with the amount of the precious metals, whenever there is a temporary absence of the precious metals a great pressure must take place in trade, and a great disemployment of labour?—I believe, that if any substitute were found to supply the place of the precious metals, looking always to the convertibility of the note, the pressure eventually would be much greater; because, unless the contraction took place in proportion to the export of the precious metals, the efflux of the precious metals would continue until the convertibility of the note would be endangered, or very violent measures were taken to maintain it.

3328. Could

3328. Could the non-convertibility of the note produce greater evils than a general state of discredit accompanied by the ruin of merchants and the disemployment of labour?—I think the non-convertibility of the note would produce much more lasting injury to the country.

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3329. You lowered your rate of interest very much in 1844?—Yes, in September.

3330. If the bill-brokers had gone on lowering their rate, according to the lowering of your rate, would you have had any minimum rate to which you would have gone?—When the Bank rate was put down to $2\frac{1}{2}$ per cent., the rate in the market, upon discount, was about 2 per cent., and loans at call $1\frac{1}{2}$ to $1\frac{3}{4}$ ths; therefore, we did not put down our rate to the minimum rate in the market.

3331. Do you still remain of the opinion, that if circumstances favoured it, the rate should be lowered to $2\frac{1}{2}$ per cent.?—Yes.

3332. Under any circumstances, would you go lower than that?—If the value of money was much less than $2\frac{1}{2}$ per cent., I would go lower.

3333. In fact, you would follow the market rate?—Yes.

3334. In what way, at the present moment, do circumstances not favour a lower rate of interest?—Circumstances are very peculiar at this moment from the disturbed state of the continent; the rate of interest, out of doors, is very near the Bank rate, it is about $3\frac{1}{2}$ per cent.; there are peculiar circumstances operating at this moment, which make it advisable that all parties should be careful.

3335. If you had not followed the market rate in September 1844, when a reverse came, would you not have been more able to protect the interest of the public from a disastrous fall; in other words, if your reserve had been increased still more by an importation of bullion, and if without competing with the market rate of interest, you had husbanded your resources until money became naturally scarcer, would you not then have been in a stronger condition to protect the commercial interests of the public than you proved to be at a subsequent period?—No; I have stated already that I thought the Bank was right in not allowing the reserve to increase at that period; gold was coming into the country; the exchanges were high, and if the Bank had allowed the notes, which were exchanged against gold, to be locked up in the reserve, the effect of that gold coming into the country would not have been felt in the circulation; we should have been merely increasing our board of notes, and not allowing them to perform the duty which in the natural course of things they would have performed; we might have fortified ourselves, but it would have been at the expense of causing a larger import of bullion than the country required.—(Mr. Prescott.) The alternative to the Bank was to employ that money by the purchase of stock or other securities, or in the shape of discounts; and discounting was the mode of employing the reserve which the Bank considered most convenient, inasmuch as money so employed is constantly returning to the Bank. That was the reason the Bank reduced its rate of discount at the period in question.

3336. Would not another alternative have been not to have forced out notes?—(Mr. Morris.) There was not any forcing out of notes; the rate of interest in the money-market at that time was under $2\frac{1}{2}$ per cent.; and therefore, having fixed our rate at $2\frac{1}{2}$ per cent., it was anything but a forced action on our part.

3337. Was not lowering the rate from 4 per cent. to $2\frac{1}{2}$ per cent. a forced action?—No; the Bank had a certain amount of their reserve to deal with, and the question was whether it was better to employ that portion in discount, or in the purchase of securities; if we had purchased securities, we might have kept our rate of interest at 4 per cent.; but it would have been a nominal rate, for no persons would have come to the Bank to obtain discounts at 4 per cent., when others were discounting at $2\frac{1}{2}$; we must therefore have gone into the market and purchased securities for the purpose of employing the reserve, seeing that at that moment we had a reserve of 9,000,000 l. to meet liabilities to the amount of 13,000,000 l.

3338. Was not the system upon which the Bank used to go, that whenever there was a cheapness of money and prices were high, there was no necessity on the part of the Bank, to offer greater facilities of discount?—Formerly, instead of discounting, when the rate of interest was under 4 per cent., the Bank used to go into the market and purchase securities, employing their reserve in the purchase of securities, rather than employing it in discount.

3339. Did not that tend to maintain an equable value of money?—No.

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3340. Did you ever know a greater variation in the value of money than we have had in the last year?—We never had so great an amount of bullion; the amount of bullion in the Bank at that period was about 15,300,000*l.*; consequently, the general circulation of the country was extremely high, and money naturally easy.

3341. Would you not say that fluctuations in the value of the medium of exchange, were a great disadvantage to a commercial community?—Undue fluctuations are a great disadvantage.

3342. Had you in view the interest of your proprietors in resorting to the discount-market, instead of purchasing securities?—I have stated already in my previous evidence, that the object was to obtain a greater control over the notes; it was considered more advantageous to discount bills, as it gave us a control over a certain amount going off day by day, whereas, if we had purchased securities in the market, at another period when we might want to strengthen our reserve, we should be obliged to go into the market and sell securities, thereby causing excitement in the market, and lowering prices.

3343. Would it be a national advantage that the Bank should not have any object for consulting the interests of its proprietors, in preference to consulting the interests of the public?—I have stated that I do not think the two interests clash; but that which is for the benefit of the public, invariably in the long run turns out to be for the interest of the proprietors.

3344. Was the last year an unprofitable year to the commercial public?—Yes.

3345. Was it a profitable year to the Bank?—The rate of interest charged by the Bank, was high.

3346. Then in the last year the interest of the proprietors, and that of the public, did not coincide?—It did; it was necessary that we should have a high rate of interest, in order to put the circulation of the country in a more healthy state.

3347. But inasmuch as the Bank received large profits, and the commercial public sustained large losses, their interests did not coincide?—The rate of interest was high, in consequence of the state of the circulation; it was necessary that the circulation should be contracted, for the purpose of bringing back the precious metals, therefore, though the profits of banking were high, they were consistent with the benefit of the country.

3348. Do you think that any part of the powers that have been given to the Bank of England, have been at all given with a view to supporting commercial credit?—I consider that with the powers that have been given to the Bank of England, they are no more bound to support commercial credit than any other bankers are, except, that being a more powerful body, and having greater means, they are enabled to accomplish that object to a larger extent.

3349. Have you not privileges besides?—We have the management of the Government business, and we have also the privilege that we are not responsible for more than the amount of our subscriptions.

3350. Are not our great commercial transactions based principally upon credit?—Yes.

3351. Would you say that anything that gave a shock to credit was very disadvantageous to our commercial interests?—Certainly.

3352. Do you think that at a time of pressure it assisted commercial credit; for instance, in April last, that the Bank should be found to be borrowers on the Stock Exchange?—Yes; I think it was right that when the reserve became low, the Bank should replenish it, by taking notes out of the market.

3353. Do you think that our commercial system, being based principally upon credit, any circumstances should be allowed to arise in which unexceptionable security upon the part of the merchant should not obtain for him the usual accommodation?—No, not if there are means of affording him accommodation.

3354. Do you think that the accommodation afforded by the Bank should be limited to its capital?—Not to its capital; the accommodation afforded by the Bank should be limited to the amount of reserve, which arises from its deposits, as well as its capital.

3355. Did not the Committee understand you to say, in your previous examination, that you thought the Bank should be limited to its capital as regards the accommodation it should give?—I intended to say that the power of the Bank of England was limited in the same way as that of any other bank, except as regards the large amount of capital and deposits.

3356. And

3356. And they have also the power of issuing notes?—The banking department has nothing to do with the issue of notes, that rests with the issue department; we merely manage the machinery of the issue department.

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3357. In times of pressure, if the Bank, in consequence of its insufficient capital, were unable to afford a sufficient amount of accommodation to the commercial public, would it not argue a necessity for some other rival establishment which should have the power of doing that?—You have a certain amount of notes to deal with, and whether those notes are possessed by the Bank or any other banker, is immaterial; the amount of accommodation must be limited by the amount of notes you possess out of the general circulation of the country.

3358. Your power to accommodate the public depended upon the amount of notes that you had in the reserve?—The amount of notes compared with our liabilities.

3359. In April, the amount was remarkably small?—It was 3,000,000 l.

3360. In October, it was still less?—It was less.

3361. The Committee understood you to say, that in September and October, gold was coming in, when the rate of interest was 6 and 7 per cent.; why was it necessary to raise it to 8 per cent.?—It was stated that the rate of interest at Hamburg was $7\frac{1}{2}$ per cent., and a high rate prevailed generally on the continent, therefore it was considered necessary to have such a rate in this country, that we might be sure, that instead of checking the influx of bullion, we should encourage it.

3362. Did you recommend 8 per cent.?—As far as I was individually concerned, I approved of it.

3363. Did any member of the Bank direction recommend the rate of 8 per cent.?—If you mean to ask was it an official recommendation by the Court, my answer is, the Court had nothing to do with it; the Deputy-governor and myself, or another member of the committee of treasury and myself, were in constant communication with Government, and it was stated, that the intention was to put a high rate of interest, and I constantly stated, as far as my own knowledge went, that I thought a high rate of interest was necessary to encourage the importation of bullion, but that a lower rate of interest would not do so.

3364. In your communications with Government, was 8 per cent. recommended by the Governor of the Bank, as acting for the Bank?—On the particular occasion, immediately preceding the letter, the suggestion came from the Government, but, in previous communications with the Chancellor of the Exchequer, I stated something of the sort, speaking in my individual capacity.

3365. Is it true that a higher rate than 8 per cent. was recommended to the Government?—There was a discussion whether it should be 8 per cent. or 10 per cent.

3366. Is it true or is it not true, that when Government stated to you that 10 per cent. had been suggested to them, you stated that 8 per cent. was quite sufficient?—It is quite true that there was an idea of 10 per cent., and I then stated, that in my opinion, 8 per cent. would be a sufficiently high rate to meet the exigencies of the case.

3367. Can you state who recommended 10 per cent.?—I cannot.

3368. Was it any member of the committee of treasury who recommended 10 per cent.?—I think the suggestion came from the Government; it was a subject of conversation repeatedly at the time, but as I never expected to undergo an examination upon it, I cannot speak accurately to it.

3369. Do you remember who suggested that Government should divide the profit upon the increased issues of the Bank after the Government letter?—No, I do not; but I think it arose out of the terms of the Act, in which it is enacted, that the profit upon the issue beyond the 14,000,000 l. is to go to the Government, and therefore it was probably the terms of the Act which originated that idea.

3370. Did the Government letter give an idea to the public that the Bank of England would have greater power than before to accommodate the public in that time of panic?—The issue of the Government letter led the public to expect that the Bank would be ready to make them any advances they might require, provided the security was such as the Bank might be willing to take, and the rate of interest 8 per cent.

3371. It gave the public reason to believe that the Bank was stronger for the purpose of giving accommodation?—It gave the public reason to believe that,

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provided the Bank was not able to maintain the Act in consequence of the relief granted under the letter, the Bank would be protected by an Act of indemnity.

3372. But the idea that the Bank had obtained increased power to accommodate the public, led to a termination of the panic?—The issue of the Government letter had the effect of putting an end to the panic.

3373. From the public entertaining the opinion that the Bank was in a stronger position than it was before?—I will not say from the opinion that the Bank was in a stronger position than it was before, but that the Bank might give additional assistance without looking to the state of its reserve.

3374. If the panic ceased from the Bank appearing more able to assist the commercial public, would it not infer that the panic arose, in some measure, from the system upon which the Bank was compelled to act before that letter was written?—I have stated before, that the panic arose from the failures which were taking place, and the difficulty of knowing whom to trust, parties were hoarding and keeping a large amount of reserve; whether it had anything to do with the state of the Bank reserve or not, I cannot say.

3375. You stated that the pressure of April subsided of itself?—The pressure of April subsided of itself, and rapidly.

3376. Did you not, before the panic ended, advance much more liberally on Exchequer bills than you had done before?—On the 3d of April the advances upon Exchequer bills were 1,460,000 *l.*, and on the 24th of April they were 383,000 *l.*

3377. Do you remember any refusal to advance upon Exchequer bills in April?—I do not recollect; perhaps it is as well that I should state, that before going into the Deputy-chair, I went into the country for about three weeks; therefore, I am not fully acquainted with the transactions of the early part of April.

3378. In April, when you found your reserve so low, and you went to borrow upon the Stock Exchange, if you had been able to dip into the issue department for notes, would you have gone to the Stock Exchange to borrow?—I cannot allow that we ought to take notes at any time from the issue department; I cannot mix up the two departments together; I am now speaking in reference to the separation of the departments, the issue from the banking department; therefore, the only answer I can give is, that we cannot go to the issue department and take notes from it, except in exchange for bullion.

3379. This is an investigation of the merits of the Act of 1844, which separated the two departments; if the two departments had not been separated, would you at that time, with between 9,000,000 *l.* and 10,000,000 *l.* of bullion in your coffers, have gone upon the Stock Exchange to borrow; would you not have issued notes to the public instead?—I should say, that we should have borrowed the sum that was wanted; I have stated before that my view is, that we ought to have managed the bank upon the same principles as those which are pointed out by the Act of 1844, whether that Act had existed or not.

3380. You think that there is a necessity for reducing discounts or accommodation to the public, when, in the two departments of the Bank, there exists a supply of 8,000,000 *l.*, or 9,000,000 *l.*, or 10,000,000 *l.* of bullion?—I do not think that the amount of bullion has anything to do with it; it is the amount of our reserve which limits the accommodation that we can afford to the public.

3381. What limit would there have been of the reserve, if the two departments had not been separated?—I cannot say; but if we had departed from the principle of the Act of 1844 by dipping into the issue department, my view of the case is, that we should have lost a certain amount of bullion, and, have acted contrary to what I consider sound banking principles.—(Mr. Prescott.) You would have relieved the pressure at the time to produce it at a future period.

3382. If there had not been a separation of the departments, would the public have become aware that your reserve was so low in April?—(Mr. Morris.) If there had not been a separation of the two departments, it would have been difficult for the public to have known what the reserve was.

3383. If it were affirmed that the cause of the pressure in April arose out of alarm in the mercantile circles at seeing the Bank reserve so low, and the Bank obliged to go on the Stock Exchange to borrow money to meet the deficiency bills, would you say that was a true explanation of the pressure?—I cannot allow that that was the cause of the pressure; it was not any measure of the Bank's going into the Stock Exchange, and borrowing upon securities; that is a measure which has been adopted by the Bank on different occasions, and is considered a banking operation; I have stated, that some little alarm might have

have been created in consequence of the low state of the reserve, arising from the public not being sufficiently acquainted with the working of the Act, but I consider that the pressure of April arose from circumstances quite different; viz., the large export of the precious metals reducing the amount of the circulation.

3384. Which diminished the reserve of the Bank to a very low ebb?—Which diminished the reserve of the Bank to a low ebb; but to a point at which the public ought not to have been alarmed if they had known that the tendency at that period was for the reserve to increase.

3385. If the public cannot understand the operations of the Bank by means of the weekly publications, would you say that it was fair to the public that their interests should suffer so much from the Bank's operations?—I do not think the public at that time were sufficiently accustomed to the working of the Act, but that is not the fault of the Act.

3386. In all previous states of pressure, the Bank of England has been a considerable help and assistance to the commercial public!—Temporary assistance has been rendered, which has brought on greater distress afterwards caused, in my opinion, by relief being given when it ought not to have been given.

3387. Did you ever know greater distress than happened in 1847?—Yes; I believe that in 1825 it was greater.

3388. Were you in business in 1825?—Yes, I was.

3389. Were you in the Bank direction?—I was not.

3390. Do you consider that there was as great a fall in stocks in 1825 as in 1847?—I forget the details, but I believe there was a considerable fall in stock.

—(Mr. Prescott.) There was a greater fall in stock.

3391. Was there as much railway stock in those days?—(Mr. Morris.) No.

3392. If the public look to the Bank in times of pressure to assist commerce, would you not say that it was one cause of the pressure, that in conjunction with a very low reserve, they should see the Bank going to obtain assistance for itself?—I should say that that ought to inspire confidence, inasmuch as it showed that the Bank was taking measures to strengthen itself.

3393. Do you think it likely to assist public confidence, that at a time when they want assistance they should see the body, upon which they depend for assistance, itself going and asking for assistance?—I do not consider making use of available securities to be asking for assistance.

3394. When any party is pressed he borrows money!—Whenever any party requires money he borrows it.

3395. Do you believe that the consternation in the mercantile mind would have been so great as it was in April if the public had not seen the low state of the Bank's reserve?—I have already stated that I think the public were alarmed at the state of the Bank's reserve.

3396. Do you think the credit of commerce is dependent upon the credit of the Bank of England?—I consider that commercial credit is dependent on the credit of the banking interest of the country.

3397. Was not the fact of the Bank's requiring assistance rather likely to produce discredit?—I do not consider that the Bank was requiring assistance; it was merely that the Bank was doing that which had been done on former occasions; viz. obtaining bank notes out of the Stock Exchange, from parties who had notes to part with.

3398. Was it the Act of 1844, in consequence of the separation of its two departments, that caused the Bank from its low reserve to appear in so helpless a condition, as it did in April and October?—I have stated before, that I think the Bank would have acted more prudently, if they had not allowed the reserve to go so low; but that was altogether independent of the Act of 1844.

3399. You said that the pressure was principally confined to London and Lancashire?—Yes.

3400. Where country notes circulate, there was less pressure!—I do not think that had anything to do with the pressure.

3401. But where country notes circulated principally, there was, in fact, less distress, was there not?—Country notes circulate principally in the agricultural districts, and in the agricultural districts, there was less pressure, not arising from the issue of country bank notes, but from other circumstances.

3402. Would you not say, that country bank notes principally circulated at Hull?—I do not know to what extent, but they circulate there.

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3403. If there has been less pressure where country bank notes circulate, would you say that that was a reason for putting down the country notes' circulation?—I think it is advantageous that there should be only one bank of issue for the whole country; at the same time, limited as country bankers now are, I do not see much inconvenience in their present mode of issuing.

3404. The Committee understood you that you advanced 270,000 *l.*, either to the Copper Miners' Company or upon the debentures of the Copper Miners' Company; will you state what interest you had to do so at the rate of 5 per cent. when you were charging 6½ per cent. to other parties?—It has been stated to the Committee that the advance of 150,000 *l.* was to a discount broker for the purpose of preventing his stopping payment; the advance was made upon his note for 150,000 *l.*, secured by the debentures of the Copper Miners' Company; the rate of interest charged was 6 per cent.; it was stated to us, that unless this advance was made, certain parties who were enumerated to us must have failed; the object therefore of this advance was for the purpose of preventing the failure of himself and other parties; the first advance of 150,000 *l.* was at 6 per cent.; some short period afterwards it was represented to us, that unless assistance were given to the Copper Miners' Company, the works of that Company must be wholly stopped, and that about 10,000 persons would be thrown out of employment; we, therefore, took the guarantee notes of several leading parties in the City of London for 120,000 *l.*; and to secure ourselves and them, we took a mortgage upon the property for 270,000 *l.*, including the original 150,000 *l.* advanced upon debentures; we were then told by our solicitor that we must reduce the rate of interest from 6 per cent. to 5 per cent., otherwise the transaction would come under the Usury Laws.

3405. It has been stated that the advantage of the repeal of the Usury Laws, was that it enabled persons to get accommodation in a time of pressure, is that so?—Certainly; but unfortunately the repeal of the Usury Laws did not go far enough, because real property is still subjected to the Usury Laws, and therefore those persons who want to get an advance upon real property are precluded from getting it, when the rate of interest is above 5 per cent.

3406. But the Usury Laws did not prevent the Copper Miners' Company from getting an advance at 5 per cent.?—They would not have had the advance, but for the object of assisting parties who would have failed unless the assistance had been given.

3407. Then you are guided in your management, not by the strict rules which you have laid down, but by the state of trade and the state of employment of people in the country?—I think the only rules I have laid down are, that we are to look to the state of our reserve and the amount of our liabilities, and seeing that we were able, out of our reserve, to grant assistance to the Copper Miners' Company, we were acting upon the strict rules which I intended to lay down.

3408. But the state of your liabilities, and of your reserve, led you to charge 6½ per cent. to other parties?—This was an exceptional case; assistance could not, in consequence of the Usury Laws, have been granted, except at 5 per cent.

3409. Do you think the Act of 1844 is necessary to carry out the Act of 1819?—I think the Act of 1844 is merely carrying out the Act of 1819; the Act of 1844 is carrying out the spirit of the Act of 1819.

3410. Do you think the Act of 1819 was not complete and safe without the Act of 1844?—I think that the Act of 1844 was necessary, in order to put the banking system of the country in a sounder position than the Act of 1819 had left it.

3411. Would you not say that low prices were essential to the maintenance of the present system of currency?—I do not see why that should be the case.

3412. Did not the cheapening of money in 1844 and 1845 lead to a rise of prices?—Yes.

3413. Did not that lead to an increased consumption of commodities?—No; the cheapening of money will create a higher price of commodities, and will naturally check consumption.

3414. Does not the cheapening of money lead to an increase of production?—Yes.

3415. Does not that increase of production lead to an increased employment of labour?—Yes; I should wish to observe that I have never put forth any theoretical principles of my own, and I am quite unprepared to enter into any theoretical

theoretical discussion; I have certainly read different publications upon the subject; and have formed opinions founded on the doctrines established by Adam Smith, and more recently supported by Mr. Jones Loyd; but I hope the Committee will excuse me from going into this discussion, for my object, as Governor of the Bank, has been to speak to the operations of the Bank; I have endeavoured to do so fully, but I would rather avoid discussing abstract principles of political economy.

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3416. The question applies to a cheapening of money under the Act of 1844; in what way is that irrelevant to the question before us?—The question appears to me to bear on matters of political economy. If I am asked whether the Act of 1844 tended to cheapen money, I should say the Act of 1844 has regulated the currency of the country; the years 1844 and 1845 were years of great prosperity; we had unprecedentedly fine harvests; the exports of the country were very considerable, and large payments were made in bullion in return for our exports; the effect of the Act of 1844 has been, that when money was plentiful, it allowed it to circulate just as it would have done previously to the Act; but when an export of bullion took place, the advantage of the Act has been to enforce a reduction in the amount of notes in circulation in the country in proportion to the export of bullion. If I am asked whether cheap money has a tendency to encourage imports into this country, I answer yes; an abundance of money creates a rise of price, and encourages importations into the country.

3417. You say that the cheapening of money, by which I mean a lower rate of discount, would tend to increase importation?—A cheapness of money, by which I mean a large circulation, tends to raise the prices of goods, and the high prices of goods naturally causes an importation into the country.

3418. Does not that under the present system tend to create an adverse balance of trade, and to diminish exports?—Undoubtedly it does.

3419. If the Bank assisted in cheapening money in 1844, thus producing an increased consumption in 1845 and 1846, and an inadequate export, would you not say that the Bank had contributed to the catastrophe of 1847?—The Bank did not cheapen money in 1844; I have stated that when the rate of interest was put down by the Bank to $2\frac{1}{2}$ per cent, the rate of interest out of doors was $1\frac{1}{2}$ and 2 per cent. When the Bank put down the rate to $2\frac{1}{2}$ per cent., it was for the purpose of the notes accumulating in the reserve in the shape of discount, rather than letting them out in the purchase of securities.

3420. Did not the Committee understand you to say that the rate of discount charged by the Bank, had a very material influence upon the value of money in the country?—The Bank can never keep the value of money unnaturally low. The Bank has only a certain amount of reserve to deal with. If the Bank makes use of that reserve at a lower rate than the general wants of the country require, the Bank reserve will soon be exhausted, and then other parties will come in and make use of their money, at whatever may be the natural rate in the country. The Bank may raise the rate of interest, because by not employing the notes that they have in their reserve, they may by boarding prevent notes from going into circulation, and thereby keep up the rate of interest; but they cannot keep down the rate of interest for any length of time.

3421. Would you say that the effect upon the mind of the public generally, whenever the Bank diminished the rate of interest was to give an idea of increased relaxation?—Previous to 1844, the Bank never put down the rate lower than 4 per cent., therefore, the first action of the Bank in putting down the rate to $2\frac{1}{2}$ per cent. might have had some effect upon the public; but I think, that the public seem to attach too much importance to the variation of the rate by the Bank. There is no reason why the Bank should not vary the rate of interest in the same way as any discount broker, or any other parties discounting would do. The circumstances which ought to guide the Bank, are fluctuating continually; if the Bank is to discount, it is necessary to follow the changes in the rate of interest, or if they do not do so, they had better relinquish discount business altogether.

3422. Supposing they were to do away with discount business, and the Bank were to take some other steps for the employment of their money than they have taken in the last two years, do you think that the variations in the value of money might be prevented?—No; but perhaps it might cause less difficulty in the management, if the Bank did away with their discounts altogether, and made their issues entirely against securities; but then there would be this difficulty

James Morris, Esq. that whenever the reserve increased the Bank would have to go into the market and purchase securities, and the natural effect of its being known that the Bank was buying securities, would be to raise the market, and when the Bank reserve was low, the Bank would be obliged to sell securities, which would have a tendency to depress the market.

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3423. Would you say that it was the large amount of imports which created the derangement of last year?—Yes, the large and sudden amount of imports necessitating payment in bullion.

3424. Under the present state of things, the system is safest under a comparatively small amount of imports?—No, I do not mean to say that; we are speaking of a year in which there has been a sudden and an enormous import of food.

3425. But when there is a great increase of consumption, which has been produced by an increase of employment of labour, that endangers the condition of the circulation?—If there has been a very greatly increased consumption, necessitating a very large importation of foreign commodities, unless we have manufactures or securities to export in payment, the balance must be paid for in the precious metals. The importation of 1847 has been very much larger than the exportation of goods, and therefore the balance has been paid in bullion.

3426. A diminished power of consumption on the part of the public would have been rather advantageous than otherwise to the system of circulation?—A diminished consumption would have checked importation.

3427. Then, the more privation the public was subjected to, the safer the system of circulation?—(Mr. Prescott.) It is necessary sometimes for the public to deny themselves, or for the country to deny itself, the consumption of certain foreign commodities, in order to restore the circulation to a proper state.

3428. Was the intention of the Act of 1844 to stimulate exports under an unfavourable state of the exchange?—(Mr. Morris.) The intention of the Act of 1844 was to place the circulation of the country in such a condition as to necessitate exports under an adverse exchange.

3429. Did it produce that effect in the spring of last year?—Yes, it produced the effect of causing an export of bullion.

3430. Was it the intention of the Act of 1844, under that state of things, to stimulate the export of goods in order to correct the unfavourable balance of trade?—The object of the Act of 1844 was to render it necessary that an export, either of goods or precious metals, should take place for the purpose of rectifying the state of the exchanges.

3431. Does it fall within your knowledge that the export of goods, under the pressure of April 1847, was, for a short period, extremely embarrassed, and almost entirely stopped?—I am not aware.

3432. Was it the intention of the Act of 1844 to check imports, so as to correct the unfavourable balance of trade?—I consider that the object of the Act of 1844 was to allow the circulation of the country to be acted upon by the exports and imports in the same way as the currency would have been acted upon, supposing it had been entirely a metallic currency.

3433. Then, there being an export of gold in the spring of 1847, the tendency of the system was to check imports?—Inasmuch as the export of a certain amount of bullion would contract the circulation of the country, and cause a fall in prices, it would tend to check importation.

3434. Then, in 1847, when there was a great deficiency in food, the tendency was to check the importation of food?—The export of the precious metals, by reducing the circulation, tended to keep down the prices of grain, and it also kept down the prices of manufactures, which might be exported in payment; therefore, if on the one hand it counteracted the rise in the price of grain, it also brought about a fall in the price of securities and manufactures.

3435. Does it fall within your knowledge that corn, which had been ordered before, was countermanded in consequence of the pressure in April 1847?—No, it does not.

3436. Has it come to your knowledge that gold was unshipped in consequence of the pressure?—I think a house at Liverpool had shipped a large amount of bullion for the purpose of sending it to the United States, and in consequence of the increased value of money in this country, they unshipped it.

3437. But was not that contrary to the intended action of the Bank Act of 1844?—No.

3438. Was

3438. Was not the tendency under that state of circumstances, for gold to go out to correct the adverse balance?—The value of money having increased, gold no longer became a profitable export. *James Merris, Esq. and H. J. Prescott, Esq.*

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3439. What is your opinion as to the course that ought to be taken by the Bank, upon the reduction of 3,000,000 *l.* or 4,000,000 *l.* of the present reserve in the banking department, supposing it to be occasioned by the present disturbed state of the continent and foreign discredit; at what point of reduction, would you deem it advisable to commence a contraction by increasing the rate of discount?—We ought to keep about one-third of the ordinary deposits in our reserve; the deposits vary in their nature; we have Government deposits, which are made for the purpose of paying the dividend; we have railway deposits, which are merely of a transitory nature, and we cannot deal with them in the same way as with the others; then we have bankers' deposits, we know about the amount which they usually leave with us, and anything beyond that amount we consider we may be called upon to pay at any moment.

3440. Supposing there was to be a drain of gold under present circumstances, which is not impossible, and supposing trade had not yet revived in this country, and labour were generally disemployed, and there was to be an abstraction of bullion so as to diminish your reserve to 3,000,000 *l.* or 4,000,000 *l.* would you think it advisable very materially to raise the rate of interest?—If the demand arising from the export of bullion, were greater than we could conveniently meet, we should be bound to put up the rate of interest, or to restrict the assistance that we should give, to such an amount, as would enable us to maintain the reserve at the point which we might think safe with respect to our liabilities.

3441. You speak now, with reference to the safety of the Bank?—I am speaking entirely with reference to the safety of the Bank.

3442. Do you think it would be safe, in the present state of European excitement, under the present state of trade, and with a great number of persons unemployed, to very materially thwart the revival of employment?—I do not see how it is to act in that way.

3443. Does not raising the rate of discount rather tend to place obstructions in the way of production?—Raising of the rate of discount has a tendency to increase the value of money; it tends to prevent the export of the precious metals, and therefore it would assist the country by retaining a larger amount of circulation than would otherwise have been retained.

3444. Trade not having yet revived, then, if owing to political circumstances connected with the continent of Europe, the Bank on its own account would naturally contract, would it be safe so far to raise the rate of interest as to place restrictions in the way of the revival of trade, and the revival of the employment of the people?—If an export of bullion were taking place, it would be desirable that it should cause a contraction of the circulation, otherwise we should have an increased issue of notes, and the result would be that the convertibility of the note might be placed in danger; and in order to protect the convertibility of the note, it might be necessary to adopt such stringent measures as would do more injury than the milder steps which it would have been necessary to have taken in the first instance, to check the export of the precious metals.

3445. Do you think the system of circulation should be preserved at any cost to the employment of the people?—I think it is desirable that the circulation should be placed on such a footing as that it should expand and contract in the same way as a metallic currency would do; I cannot vary from that.

3446. Do all the Directors of the Bank approve of the Act of 1844?—I cannot say.

3447. Do you think that the majority of the Directors of the Bank are in favour of the Act of 1844?—I think opinions are nearly balanced.

3448. If the majority of the bankers and merchants in London were to depose to very serious losses having been sustained from the operation of the Act of 1844, would you say that they were competent to judge of its effects?—I do not think it ought to bias their judgments.

3449. Who do you think are the best judges of the law, those who administer it, or those who experience its effects?—I would leave it to the intelligence of the whole community to judge.

3450. You have described no part of the operation of the Act of 1844, that you were, during the year 1847, obliged to lend Consols instead of notes, on account of the limit prescribed by the Act; that you borrowed on Consols in April; that

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you were obliged to raise the rate of discount to 9 per cent.; that you refused loans on Exchequer bills; that there was a pressure in April, and a panic in October, and that Government were obliged to interpose by a letter, in order to protect the public from the restrictive effects of the Act; do you call that a satisfactory history of any system?—The lending of Consols was not in consequence of any restrictions in the Act, we lent Consols, because it suited us better than to make an advance out of our reserve; it had nothing to do with the Act of 1844; it was merely a banking operation; it was optional with us to have gone into the market and borrowed money upon Consols, or to have lent them to the parties for themselves to borrow upon them.

3451. If you had had plenty of notes in your reserve, would you have advanced Consols?—It was not the Act of 1844 which prevented our having notes in the reserve; whether the Act of 1844 had existed or not, the principle upon which banking ought to be based, in my opinion, ought to be the same.

3452. Did not the Act of 1844, which limited the circulation of country banks, contemplate the ultimate extinction of the country bank note circulation?—The object of the Act was to limit the amount of the issues of the country banks; whether the object was to extinguish those issues or not, I do not know.

3453. Has any progress been made towards the extinction of the country note circulation since that period?—Some bankers have voluntarily surrendered their circulation, and others having failed, their circulation has ceased.

3454. Mr. Spooner.] And some have wound up their concerns?—Yes.

3455. Mr. Copley.] Have not some country banks been induced to adopt Bank of England notes instead of their own notes?—Yes.

3456. Do you remember whether the Government held out to Parliament, in 1844, the advantages that the public might expect from the inducements offered to country bankers to abandon their own circulation?—I do not.

3457. Do you remember whether the country banks had the same inducement to give up their circulation before the Act of 1844, and subsequently?—Those parties who chose to withdraw their own issues, and to adopt the Bank of England circulation, had advantages equivalent to those now granted to bankers compounding under the Act.

3458. What were the advantages given before 1844 to the banks which gave up their circulation?—They were allowed to have a certain amount at a lower rate than the market rate of interest.

3459. Was that rate generally 3 per cent. discount?—It was.

3460. Was this arrangement broken through immediately after the Act of 1844 was passed?—The Act of 1844 closed the accounts, and substituted a composition of 1 per cent. per annum.

3461. Was the change approved of by the banks which had been induced to abandon their circulation?—I am not aware.

3462. Do you remember whether those banks which had before given up their circulation, upon the change of the conditions claimed the right to resume their circulation?—I do not.

3463. Did they claim a right to resume their circulation when the conditions were altered which induced them to give it up?—Not that I am aware of.

3464. Subsequently to the Act of 1844, were the conditions altered to 4 per cent. rate of discount instead of 3 per cent.?—They were entitled to the 1 per cent. composition under the Act of Parliament; but some parties, instead of taking the composition, were allowed a certain amount of discount at a reduced rate.

3465. Are you prepared to say that, after the passing of the Act of 1844, you did not so far change the conditions with those banks which had given up their circulation, as to charge them 4 per cent. discount instead of 3?—Whatever changes were made were for the mutual accommodation of all parties, and by mutual consent.

3466. Are you prepared to say, that no banker objected to this change of system?—I am not aware of it, but it would not have come under my notice; it would have come under the particular notice of the Governor and Deputy-governor of that day.

3467. Are you prepared to say, that with respect to banks which had been induced to give up their circulation in consequence of more favourable conditions, the Bank of England, after the Act of 1844, did not charge them 4 per cent. rate of discount, at the time the rate of interest in the money-market was 2½ per

2½ per cent.?—I am persuaded that the Bank did not take advantage of the Act of 1844, for the purpose of putting them in a worse position than they were before.

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3468. If it did, you think that the Bank of England acted unfairly towards those banks?—Supposing the Bank to have made use of the Act of 1844, for the purpose of exacting more from the country banks than they could have done before, I think the Bank was not acting fairly.

3469. Do you remember testimony having been given by a witness before the Committee of 1841, which was quoted by the Chancellor of the Exchequer in the House, with respect to the inducements offered to the country banks to give up their circulation?—No; I do not.

3470. You are not aware that that banker stated that, in consequence of the conditions offered him by the Bank, he had been induced to give up his circulation, and that he thought in consequence of the conditions being very favourable, the public would not be deprived of any advantage by his having given it up?—No; I am not aware of it.

3471. You do not know that Mr. Wright, of Nottingham, gave that evidence?—No; I do not.

3472. You do not know what the amount of his circulation was, at the time he entered into an agreement to give it up?—I do not.

3473. You do not know upon what terms he had 50,000*l.* in lieu of the circulation?—I have heard the circumstance mentioned, but at this moment, I cannot recall it.

3474. Supposing the agreement with Messrs. Wright, in order to induce them to give up their circulation, had been equivalent to advancing them discounts at the rate of 2 per cent., and that they were induced to give up their circulation in consequence of that advance, would you think it fair that they should be charged 4 per cent. immediately after the Act of 1844 came into operation?—I cannot answer that question without knowing all the circumstances.

3475. Do you remember whether, in consequence of the revocation of that agreement, Messrs. Wright paid off, in cash, the whole amount of their loan?—I have some recollection of it, but not sufficient to enable me to speak to it.

3476. You do not remember whether they immediately paid it off, on the correspondence closing, and on the Bank ceasing to become their agents?—I do not remember.

3477. You do not remember whether it was paid off at once, or by instalments?—I have no recollection.

3478. Were Messrs. Wright compelled to pay the 50,000*l.* which they had on loan immediately, rather than submit to what they considered to be unfair treatment?—I am unable to say.

3479. Do the Committee understand you that all other bankers submitted to your terms?—I am unable to state whether that is the case, or not.

3480. (To Mr. Prescott.) Are you of the same opinion with Mr. Morris upon the subject of the treatment of the country bankers, who agreed to give up their circulation?—Not being sufficiently aware of the facts, I would suggest that they would be best ascertained from the Governor of the day.

3481. Do you know what the opinion of the Directors of the Bank is generally upon the way in which the country bankers have been treated?—(Mr. Morris.) My impression is, that in the opinion of the Court no advantage has been taken intentionally of the country bankers, in consequence of the Act of 1844.

3482. If some of them agreed with the Bank to issue Bank of England notes in lieu of their own, upon the condition of receiving discount at 2 per cent., and that rate was increased afterwards to 4 per cent., you would consider that very unfair?—If the Bank took advantage of the Act of 1844, in making that alteration, they could not have acted fairly towards them, but I am quite sure that if the country bankers lost any advantages which they before possessed, compensation must have been made to them.

Martis, 21^a die Martii, 1848.

MEMBERS PRESENT:

Mr. Chancellor of the Exchequer.	Sir William Clay.
Mr. Wilson.	Mr. T. Baring.
Sir Robert Peel.	Mr. Glyn.
Sir James Graham.	Mr. Home Drummond.
Mr. Goulburn.	Mr. Hudson.
Mr. Hume.	Mr. Harries.
Mr. Disraeli.	Mr. Spooner.
Mr. Alderman Thompson.	Mr. Thornely.
Lord George Bentinck.	Mr. Tennent.
Mr. Cardwell.	Mr. Cayley.

THE RIGHT HON. F. T. BARING, IN THE CHAIR.

James Morris, Esquire, Governor of the Bank of England, and *Henry James Prescott*, Esquire, Deputy Governor of the Bank of England, further Examined.

James Morris, Esq. 3483. *Chairman.* CAN you give the Committee any information with respect
and
H. J. Prescott, Esq. to the amount of gold and silver in circulation?—(Mr. Morris.) A calculation
31 March 1848. has been made by our chief cashier; he seems to make the gold in circulation on
the 1st of January 1848, 44,835,000*l.*; but that is an exceedingly rough calculation;
it has been supposed to range between 40,000,000 *l.* and 60,000,000 *l.*

3484. Does that include the gold in the Bank reserve?—The 44,835,000*l.* is
supposed to include the amount of gold coin in the Bank.

3485. What is the amount of silver?—The amount of silver is supposed to
be about 11,000,000 *l.*; but that includes the amount of coin in the colonies.

3486. Your chief cashier has paid a good deal of attention to the subject, has
he not?—I am not aware that he has paid more attention to it than other parties;
but he has based his opinion upon a calculation.

3487. Have you the particulars of the calculation?—Yes; from the calculations
made upon the calling in of the light gold coin in 1842 and 1843, it was sup-
posed that the amount of sovereigns in circulation was about 26,000,000 *l.*; the
sovereigns put into circulation from January 1844 to January 1848 were
17,702,000 *l.*, making together 53,702,000 *l.*, from which deduct sovereigns
sent to America 4,000,000 *l.*, and light sovereigns abstracted 4,867,000 *l.*,
making together 8,867,000 *l.*; it will leave in circulation on the 1st of January
44,835,000 *l.*; this calculation does not include the 6,000,000 *l.* of coin which
we had at the Bank and at the various branches. I have another calculation
made by a party who is equally capable of making it. In June 1842 gold
with the public 31,500,000*l.*, with the Bank 4,500,000 *l.*, making together
36,000,000 *l.* From July 1842 to December 1847, 28,502,254 *l.*; melted at
the Mint of light gold 15,857,113 *l.*, which, deducted from the 28,502,254 *l.*,
leaves 12,645,141 *l.*; exported in 1846 and 1847, 4,000,000 *l.*, that leaves
8,645,141 *l.*, and that added to the 36,000,000*l.*, makes 44,645,141*l.*, supposed
to be the amount of gold coin in the country.

3488. That is very near the other calculation?—Yes, except that the one
includes the amount of gold coin in the Bank, and the other is exclusive of it,
so that there is a considerable discrepancy between the two, which shows the
difficulty there is in arriving at an accurate result; but the general calcula-
tion is between 40,000,000 *l.* and 60,000,000 *l.*, which is a very large range.

3489. Mr. Glyn.] Have you an account of the amount coined by the Mint
since 1816?—No, this is taken only from 1842.

3490. *Chairman.* That is gold coin?—Yes.

3491. The silver is calculated by both at somewhat about the same amount?—
There is not so much difficulty with respect to silver, because we know the quan-
tity of silver that has been coined; the only difficulty is to know the amount that
has gone to the colonies.

3492. That

3492. That which has gone to the colonies has been exported by Government?—Not entirely; private parties have also sent it out; generally, it is calculated that from 7,000,000 *l.* to 9,000,000 *l.* is in the country.

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3493. Can you give any information with respect to the amount of notes of different denominations in circulation?—Here is "An Account showing the Average Amount of Bank of England Notes in circulation, distinguishing the denominations, together with the number of days the Notes remained out in the October Quarter 1843, 1844, 1845, 1846 and 1847."

[The Witness delivered in the same, which is as follows:]

AN ACCOUNT, showing the Average Amount of Bank of England Notes in Circulation, distinguishing the Denominations, together with the Number of Days the Notes remained out, in the October Quarter 1843, 1844, 1845, 1846 and 1847.

	October Quarter, 1843.		October Quarter, 1844.		October Quarter, 1845.		October Quarter, 1846.		October Quarter, 1847.		
	Amount.	Days.	Amount.	Days.	Amount.	Days.	Amount.	Days.	Amount.	Days.	
	£.		£.		£.		£.		£.		
£. 5.	4,675,000	86-0	5,651,000	86-6	5,611,000	77-2	5,163,000	60-6	5,618,000	74-0	£. 6
£. 10.	5,440,000	91-3	5,661,000	91-4	5,992,000	73-2	4,945,000	79-5	5,769,000	79-6	£. 10
£. 20.	1,921,000	87-4	1,417,000	65-7	1,473,000	55-5	1,408,000	53-0	1,598,000	64-3	£. 20
£. 40.	802,000	16-8	354,000	23-0	286,000	21-1	298,000	30-8	216,000	19-2	£. 40
£. 100.	264,000	17-4	221,000	17-2	206,000	15-5	198,000	15-0	160,000	13-8	£. 100
£. 200.	1,545,000	40-2	1,721,000	45-6	1,773,000	39-5	1,660,000	40-1	1,668,000	37-0	£. 200
£. 500.	1,594,000	34-9	2,240,000	34-1	2,553,000	28-0	2,245,000	37-1	2,594,000	25-2	£. 500
£. 1,000.	392,000	14-5	386,000	14-4	400,000	15-9	573,000	12-2	562,000	10-9	£. 1,000
£. 5,000.	370,000	12-2	297,000	12-4	558,000	10-5	581,000	10-5	664,000	9-0	£. 5,000
£. 10,000.	670,000	14-1	637,000	13-6	901,000	12-1	794,000	12-0	803,000	10-2	£. 10,000
£. 1,000,000.	2,894,000	12-3	2,823,000	10-5	5,433,000	10-1	2,921,000	0-9	2,855,000	7-8	£. 1,000,000

3494. Sir Robert Peel.] Will you have the goodness to explain the words "remaining out"?—The average time the notes remained in circulation from the period of their issue until their return to the Bank.

3495. The "remaining out" includes every purpose for which they are out?—Yes; and in times of pressure they return more rapidly to the Bank than at other periods.

3496. Mr. Hume.] Is there any general average to be arrived at from that paper?—The average is with respect to the time that notes of a certain amount remained out.

3497. Mr. Spooner.] Does that include the branch banks?—No, it does not; there is a greater difficulty in making the calculation for the branches; those are the issues in London.

3498. Can you form any idea whether the notes come in more rapidly or less rapidly at the branches than at the Bank of England?—I believe they remain out for longer periods at the branches; and sometimes at the branches they are re-issued.

3499. Chairman.] Is there any very great difference in a time of pressure in the proportion of notes of different denominations which are called for?—It is difficult to compare the quarters; there were considerably more of 5*l.* notes in 1847 than there were in 1843, but in 1844 and 1845 the amount was very nearly the same; in 1846 again it was extended; I do not think it varies very considerably. There seems to have been a considerably less number of 1,000*l.* bank notes in October 1847 than there was at any previous period.

3500. In case a great payment has to be made by this country for corn or anything else, how, practically, do you find that payment made?—Any sudden payment, arising from an importation of corn, would be paid for by those securities which were transmitted with the greatest facility; public funds would

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he remitted, and credits probably would be withdrawn; the precious metals naturally would form a portion of the means of liquidating the balance which was due, but eventually a large portion would be paid for in commodities.

3501. The securities and credits go first?—I am not prepared to say that they go first; generally speaking, I think bullion goes first.

3502. Then come the credits?—Then the credits and the securities; a large amount of American securities were sent from this country to be sold, during the period when money was extremely scarce in this country, and they formed a considerable portion of the payment to America; about 1,000,000 *l.* of American stock was sold.

3503. But you would say that a considerable portion is paid by exports?—I have no doubt of it.

3504. Can you show any periods in the returns in which a considerable variation in the imports and exports has taken place in consequence?—I believe that our exports fell off to those countries that were impoverished by bad harvests; but our exports to those countries from which we received corn were considerably increased, that is, to America and Russia.

3505. Have you looked with reference to the general exports of the country, in order to ascertain whether they increased or not?—I have not specially referred to that point.

3506. I understand that you are of opinion that the circulation ought to vary as a metallic circulation would vary; that is the principle by which a joint circulation of paper and coin ought, in your opinion, to be regulated?—Yes; I have stated that that is my opinion.

3507. You think that, under the Act of 1844, it so varies?—I have no doubt of it.

3508. When you speak of paper circulation, what is it that you consider as circulation; is it the notes with the public, or the notes out of the issue department?—In speaking of the issues, I speak of notes out of the issue department.

3509. But when you speak of the paper circulation, do you consider the practical circulation to be that which is shown by the returns to come out of the issue department, or that part of the circulation which is in the hands of the public?—When I speak of the circulation, I include all the notes out of the issue department; but the amount of notes with the public is affected by the Bank having a larger or smaller reserve, and it is equally affected by the amount of the reserves of all bankers.

3510. As far as regards prices, do you consider that the variations out of the issue department affect prices, supposing the same sum of money to remain in the hands of the public?—The notes out of the issue department would be acted upon by the larger or smaller amount of reserve held by the Bank of England, or by any other bankers.

3511. Do you consider, then, that the amount of the reserve held by the Bank is of considerable importance?—Yes, I do.

3512. Do you think that that part of the subject was considered before the Committee of 1841?—I do not recollect.

3513. In the course of the difficulties of the last year has the amount of the circulation in the hands of the public at all varied as the amount of the metallic circulation would vary?—The notes with the public did not vary exactly with the bullion, on account of the action of the Bank's reserve.

3514. It has had no reference to it?—Yes, it has had reference to it; but it has not varied to the same extent.

3515. Will you take August 1846, and state, from the returns which the Bank has made, what the figures were?—There were on August 1st bank notes in the hands of the public 20,495,000 *l.*; the Bank reserve was 9,307,000 *l.*; the total amount of bullion was 15,803,000 *l.*

3516. Will you take now April 1847, and give the figures?—On the 3d of April 1847 the amount of notes with the public was 19,855,000 *l.*, and the amount of bullion was 10,246,000 *l.*

3517. Then there was a diminution?—There must have been a diminution of nearly 5,000,000 *l.*, in the bullion, which was found in the diminution of the reserve.

3518. But

3518. But had the notes in the hands of the public at all diminished in proportion to, or anything like in proportion to, the bullion?—No. James Morris, Esq.
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3519. Will you take another period, the 6th of June 1846?—The amount of notes with the public was 18,857,000*l.*, and the amount of bullion 15,012,000*l.*; that was a period when we had a large amount of railway deposits.

3520. So that on April 3d, 1847, you find that the amount of notes with the public was within 200,000*l.* of the amount on the 6th June 1846, but the bullion was reduced by 5,000,000*l.*; do you think that that was at all in accordance with the principles which you would lay down for the management of the circulation?—No; I have stated in my evidence that I think the Bank would have acted more prudently in 1847 in not allowing the reserve at that time to fall so low; if the Bank had kept a larger amount of reserve, the notes in circulation with the public would have been diminished in proportion to the export of bullion.

3521. We will take October 1846?—On the 3d of October, that is previous to the payment of the dividends, the notes with the public were 20,551,000*l.*, and the bullion was 15,817,000*l.*

3522. On October the 3d, 1847, what were the amounts?—The notes with the public were 18,712,000*l.*, and the bullion 8,565,000*l.*

3523. In that case there has been a larger diminution of the notes in the hands of the public?—There has.

3524. But not at all in proportion to the diminution of the bullion?—No.

3525. Do you consider that, acting in accordance with the principles which you have laid down, that diminution was sufficiently large?—The bullion was reduced 7,000,000*l.*, but the Bank reserve at that period was 9,266,000*l.*; in October 1846 there was a much larger amount of reserve than was necessary for the Bank to have under the circumstances, the deposits being only 18,000,000*l.*, and if the public would have taken more than 20,000,000*l.*, the amount of notes with the public might at that time have been increased to 23,000,000*l.* or 24,000,000*l.*, without at all departing from sound principles of banking; with an amount of bullion of 15,817,000*l.*, and deposits to the extent of 18,000,000*l.*, and a reserve of 9,000,000*l.* the Bank might have lent out an additional 4,000,000*l.*; therefore, supposing the proportion of notes with the public to have been 24,000,000*l.*, the difference would not have been so striking.

3526. But my question relates to the actual operation?—The actual operation is, that the notes have been reduced about 1,000,000*l.*, and the bullion about 7,000,000*l.*

3527. Am I to understand from your answer that, in point of fact, under the operation of the Act of 1844, the notes in the hands of the public have not varied in proportion, or anything like in proportion, to the variations in the bullion?—No; the notes with the public have not varied in proportion to the bullion.

3528. I will return again to the question I put before: how far do you consider that the amount of notes held in reserve by the Bank is to be considered as circulation?—It is difficult to say how far the reserve of notes held by the Bank may be considered as circulation; still as representing balances they may be considered as acting the part of circulation in so far as payments are made by transfer from the balance of one account to that of another.

3529. Would you call their circulation at all?—No, not according to the usual meaning of the term.

3530. You would call the notes in the hands of the public real circulation?—The general acceptance of the word "circulation" includes notes out with the public whether they are in the pockets of individuals or in the hands of private bankers.

3531. But it does not include the Bank reserve?—No.

3532. Are those notes actually kept in reserve, or is it merely a matter of account?—It is a matter of account; they are paid in and cancelled, as the Bank does not re-issue notes; when they are called for, fresh notes are issued against them.

3533. Do you think that the Act of 1844, admitting it to be founded on the best principles, has actually carried out the principle, if the circulation in the hands of the public does not vary in any respect with reference to the fluctuations in the bullion?—Yes, I am sure that it has carried out the principle. The Act of 1844

James Morris, Esq. has only to do with the issue department, and, as far as the issue department is concerned, the Act has been fully carried out.

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3534. I have no doubt that the Act has been fully carried out as far as the law is concerned; but has the principle which was intended to be carried out by the Act been carried out if the circulation in the hands of the public does not in any way vary with the variations of the bullion?—The great object of the Act was to secure the convertibility of the note; by limiting the issue department the convertibility of the note is preserved; but the Act of 1844 never went to provide that the banking interests of the country should carry on their transactions upon sound principles.

3535. I would recall your recollection to the evidence given before the Committee of 1841; do not you think that in that evidence it was expected that the amount of notes in the hands of the public would vary with reference to the bullion?—I cannot say what the expectation was.

3536. You have naturally turned your attention to the writers upon that subject?—Yes.

3537. Do not you think that those writers expected that the amount of notes in the hands of the public would, to a certain extent, vary with the fluctuations of the bullion?—The object of the Act of 1844 was to make a mixed currency act in the same way as a metallic currency; whether parties dealing with that currency affected it by different principles of proceeding is not the question; but the object of that Act was to make a mixed currency act, upon the same principles as a currency based upon the precious metals would have done.

3538. That was the object of the Act; but I am asking you whether, from circumstances, it would appear that that object has been fully carried into effect?—As far as protecting the convertibility of the note, I have no doubt of it.

3539. But as far as regards the circulation of paper, has it varied with reference to the fluctuations of the bullion?—The Act was intended to control the banking system of the country as far as the amount of issues was concerned, not as to the amount to be kept in reserve; the Act related solely to the issues.

3540. The operation of the Bank has affected the amount of notes in the hands of the public?—Yes.

3541. That is to say, the Bank, with its great reserve, has operated upon the notes in the hands of the public, so that the notes in the hands of the public have not varied with the amount of bullion?—I would say that the banking interests generally of the country have acted in that way.

3542. But principally the Bank of England?—I think the Bank allowed their reserve to go, on some occasions, too low, and that the withdrawal of notes from the public by the Bank was not so great as it would have been if they had not allowed the reserve to fall so low.

3543. The operation of the Bank, then, counteracted the principle of the Act?—On some occasions, the operation of the banking interest of the country has interfered with the working of the Act.

3544. The notes in the hands of the public, in Return No. 11, include the notes in the hands of all other banks but the Bank of England?—Yes.

3545. Therefore we may pass by the notes in the hands of other banks?—Yes.

3546. The operation, therefore, seems to be an operation entirely of the Bank of England?—I will not say an operation entirely of the Bank of England, because the general state of the circulation of the country is affected by the operations of the banking interest throughout the whole country.

3547. No doubt it would be so; the amount appearing in this return would not be affected by that?—No.

3548. Therefore, as far as this return goes, it confines itself to the Bank of England?—Entirely.

3549. Am I then right in supposing that the operations of the Bank of England have had the effect of preventing those variations from taking place which, in your opinion, ought to have taken place?—Yes, occasionally.

3550. That being the case, do not you think that, as regards one of the main objects, the Act of 1844 has not secured the carrying out of that object?—I do not think the Act of 1844 attempts to provide that the banking business of the country

country should be always carried on upon correct principles; all that the Act of 1844 could do was to lay down certain principles with respect to issues; those principles may have been affected, more or less, by circumstances independent of the Act.

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3551. The Act of 1844 had in view the object you have stated, that the circulation should vary as if it were a metallic circulation?—For the purpose of securing the convertibility of the note.

3552. But having that object in view, it has still left such a power in the Bank, that the Bank, according to your evidence, may counteract the operation of the Act?—They cannot counteract the operation of the Act, as far as the issue department is concerned.

3553. You are quite correct; they cannot counteract the operation of the Act, but they can counteract the effect of the Act upon the notes held by the public, and in your opinion the notes held by the public are the practical circulation of the country?—I hardly know how to answer that question.—(Mr. Prescott.) It would have been just as likely for the Bank to accumulate a large reserve, supposing the circulation had been wholly metallic, as under the actual circumstances of its being partly paper and partly metallic; in the case of a large importation of bullion, under a metallic currency, there would be a great excess of the precious metals, part of which would remain as reserves in the banks, and the remainder would form the circulation out with the public.

3554. Do you consider that the metallic circulation is the same thing as the quantity of bullion that comes into the country?—The circulation would vary according to the demands of trade, and the activity of bankers in putting it out.

3555. Would the circulation vary with the amount of gold that comes into the country in adjusting the exchanges?—It would have a tendency to vary in proportion to it; but part of the importation would accumulate in the reserves, and the holders of the reserves would naturally have an inducement to employ them beneficially, and consequently, though not the whole, a large portion would go out into circulation; the circulation would increase, not to the full extent of the importation of bullion, still in some ratio to it.

3556. Of the bullion which came into the country, a certain quantity would continue in the shape of bullion, and not be converted into coin?—No doubt there would.

3557. You return in your return of circulation for the issue department, not only that part of it which would be turned into coin, but the whole of the bullion that is imported into this country, and which comes into the Bank?—Yes, except sovereigns, which may go into circulation without coming to the Bank.

3558. Do you suppose that the whole of that would be turned into coin if you had a metallic circulation?—Not necessarily; only such portion as there would be an inducement for the Bank to issue.

3559. But it is all turned into notes?—It is all turned into notes in the issue department; but a portion is retained in reserve, and a portion goes into circulation.

3560. Then that would lead me to suppose that the notes held by the public, vary according as a metallic circulation, rather than the notes returned as out of the issue department?—The importation of the precious metals produces a redundancy of money, a portion of which accumulates in the reserve, and another portion goes into active circulation. The notes with the public do therefore vary under the Act of 1844, as a metallic circulation would vary.

3561. To return to the former subject: do you consider that the carrying out of the Act of 1844 is perfect until such a constitution is given to the Bank as will insure that the Bank shall not counteract the object of that Act?—(Mr. Morris.) I do not think you can give a constitution which shall insure that.

3562. You think that under no circumstance you could insure it?—No; the effect would be the same under a metallic circulation, whether with which we were dealing were issued against gold, or whether it was gold itself, the result would be the same; it would be merely a question of banking.

3563. Do you think that the effect would have been the same under a metallic circulation, and that from June 6th 1846 to April 3d 1847 there would have been a falling off of 5,000,000 £ of bullion, and no falling off at all of the circulation?—Yes; if the principle which was acted upon by the Bank had been the same, the result would have been just the same, whether it had been a metallic

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circulation, or a circulation based upon paper and metal; I have no doubt about it.

3564. Under those circumstances you think that a circulation resembling a metallic circulation is the great object to be attained?—I think the great object is to have a circulation which acts as a metallic circulation, convenience and cheapness being at the same time consulted.

3565. But still you think that a metallic circulation would not have varied at all in proportion to the bullion?—If in 1846 and 1847, instead of our present circulation, we had had a metallic circulation, and the management of the banking interest throughout the country had been the same, the result would have been just the same; as far as my own opinion goes, I cannot doubt that for a moment.

3566. Mr. *Thomson*.] I understood you to say that the bills usually discounted by the Bank of England are not exceeding 95 days?—Generally speaking, the limit is 95 days.

3567. Did I understand you also to say that occasionally you discounted six months' bills?—There may be cases of exception; we make temporary loans upon bills which had not more than six months to run.

3568. Those loans are repayable before the bills became due?—They are, the bills being deposited as collateral security.

3569. With reference to bills offered to you for discount, do you classify them so as to charge different rates of interest, or do you charge all at one rate?—We charge different rates, according to the character of the bills.

3570. Do you charge different rates of interest also according to the parties by whom the bills are offered for discount?—If a party sends in a first-rate bill, the bill will be discounted at the minimum rate of discount.

3571. Whoever the party was who offered the bill?—Yes.

3572. In your selection or rejection of bills for discount, have you any reference to the character of the bill, whether it is drawn for speculative purposes, or do you look only to the securities, the drawer, indorser and acceptor?—We look to the security of the bill, without reference to the object for which it is drawn.

3573. There has been evidence given before this Committee as to very extensive speculations at the outports; I refer to question 533; a witness was asked this question, "You are quite sure that transactions to a great extent have been carried on under those circumstances?" that is, a speculation at the outports in articles of consumption for manufactures; and the answer is, "To a most preposterous degree, beyond all reasonable proportion to the capital of the brokers." But the Bank of England, as I understand you, does not feel itself called upon to reject bills because they are of this speculative character?—In discounting bills we have merely looked at the security offered to us.—(Mr. *Prescott*.) I should say that bills which have the appearance about them of a speculative character are generally looked at with some greater degree of suspicion than bills which are known to be founded upon actual transactions.

3574. I believe it is the custom of the Bank to charge a higher rate of interest at the branches than at the Bank in London?—(Mr. *Morris*.) It is.

3575. The county of Lancaster, from the traders of that county not negotiating notes payable on demand in the issues of private bankers and joint-stock banks, appears to be the greatest customer of the Bank of England in the circulation of notes; by the return which you have made to this Committee, it appears that the branches at Liverpool and Manchester issue Bank of England notes to the amount of upwards of 2,000,000*l.* generally?—I do not recollect the figures, but I dare say that is about the amount.

3576. Do not you think it reasonable, therefore, that the traders in Liverpool and Manchester, being such great customers to the Bank of England, should have their discount at the same rate as the merchant in London?—No, certainly not; the rate of discount being higher in the country than it is in London, it is right that the Bank should have that advantage, which is a mere trifle; we charge a quarter per cent. more in Lancashire than we do in London, if our notes did not get out through our branches they would get out through our London discounts.

3577. You are aware that some of the first houses in London, for instance, Messrs. Baring, have branches in Liverpool?—Yes.

3578. Do

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3578. Do you think it reasonable that one of those houses, offering on the same day bills for discount in Liverpool and Manchester, and bills of precisely the same character for discount in London, should be charged at a higher rate in the country than in London?—Yes; if the rate of interest is higher in the country than it is in London, it is natural that it should be so.

3579. Some questions have been asked other witnesses, as to the effect upon the Bank that would result from the Government debt being paid off; supposing that by surplus revenue, or by loans made when money was plentiful, the Government debt should be paid off, what would be the effect upon the Bank; would it give you increased facilities or not?—I do not think it would alter our position at all.—(Mr. Prescott.) It would be necessary for us to invest the same sum in Government securities.

3580. If you were so to invest the Government debt in marketable securities, would it not give you facilities in times of pressure which you have not now, considering the position in which the Government debt now stands?—No, because we are able as it is to hold as large a portion of Government securities as is requisite for the convenient working of our banking account.

3581. You think that no facility would be given you if the debt was paid off?—No.—(Mr. Morris.) Particularly as that debt is carried to the issue department; it has nothing to do with the banking department.

3582. Mr. Spooner.] To revert to October 1847; you stated, in answer to Question No. 2774, "I mean to say, that so far as the Bank was able to maintain the banking department, it was not necessary that any interference on the part of Government should take place?"—I meant to say that the Bank was in a position to meet all its liabilities without the Government having issued the letter of October.

3583. You were then asked a considerable number of questions with regard to the deposits in your hands, and you were asked what would have been the effect if those deposits had been called out, and you said that you would have been able to meet all those demands upon you by a sale of Consols?—I stated also, that in times of pressure we generally found that our deposits increased; I stated that that we should have been able to have sold, in the course of a week, 1,000,000 *l.* of Consols for the purpose of strengthening our reserve.

3584. You likewise stated that the fall in the market, resulting from such a sale, would not be to so extent more than one or two per cent.?—Yes, I stated that, and I afterwards stated that it would not be more than five per cent.

3585. Will you look at the price of Consols in February 1847?—On the 6th of February 1847 the price of Consols was 91.

3586. On October the 23d, 1847, what was the price of Consols?—They were 80.

3587. How do you account for that fall in the price of Consols?—The fall at that time must have arisen from the general pressure.

3588. Was not the pressure very great on October the 23d?—Yes, it was very great.

3589. Do you still think that if you had sold 1,000,000 *l.* of Consols it would have affected the money five per cent. in addition?—I stated, that in the course of a week I had no doubt that we should have been able to have sold 1,000,000 *l.* Consols at not a greater depression than five per cent.

3590. Was not everybody who was concerned in trade at that time laying hold of bank notes; was there not a general scramble for bank-notes?—There was a large amount of bank notes in circulation during that week; and the moment Consols fell, parties would have come into the market and used those notes which they had kept in reserve.

3591. Where were those notes?—They were lying in different parties' hands.—(Mr. Prescott.) They were sums of money withdrawn from the bankers in consequence of the distrust of those parties. On the appearance of a reduction in the Consol market they would have been likely to invest them in Consols.

3592. Where were those notes kept?—They were in the hands of individuals.

3593. Locked up in their hands?—Yes.

3594. You have stated, that in times of pressure you find your deposits increased?—(Mr. Morris.) We rather find them increase than decrease.

3595. Would not those persons who have deposits in your hands at that time be the very persons who would be likely, when Consols fell to a tempting price,

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to withdraw their deposits to invest the money in Consols?—A portion might do so.—(Mr. Prescott.) At that period the principal purchasers of Consols were purchasers of small sums, showing that the money came from the general public, and from parties not likely to have accounts with the Bank of England.—(Mr. Morris.) I have put the question again to the party who operates for us at the Stock Exchange, and he seems to have no doubt that we might have sold 1,000,000*l.* of Consols from his experience of that period. I also stated that we should have strengthened our reserve by bills which were falling due to the extent of a million and-a-half a week, and the revenue which was coming in to the extent of 300,000*l.* a week.

3596. Your statement was, that you had a million and-a-half coming due upon bills, and that if you had discounted only half, you would have strengthened your reserve; would not that have had a tendency to make a number of the bills that you discounted dishonoured?—No, I think not.

3597. Would not the diminution in the usual supply of bank notes have made it difficult to pay these bills?—No; the amount of notes out with the public was very large, and parties who had engagements to meet were holding notes to meet them, and they would have paid them out of those notes without requiring others from us.

3598. You have been asked this morning some questions with regard to the Act of 1844 being intended to make a paper currency fluctuate in the same way as a metallic currency; was not that one of the objects of the Act?—The object of the Act was, to make a mixed circulation act precisely in the same way as a metallic circulation would have acted.

3599. That was one of the objects of the Act?—That was the one of the principal objects of the Act, and also to limit the amount of issues by bankers.

3600. At the present moment your reserve in the banking department is more than 11,000,000*l.*?—Yes, it is.

3601. Your public and private deposits together are not more than 16,000,000*l.*?—(Mr. Prescott.) Between 16,000,000*l.* and 17,000,000*l.*

3602. Is that reserve of 11,000,000*l.* much larger than is necessary to provide for your public and private deposits?—(Mr. Morris.) Under ordinary circumstances decidedly it is.

3603. Will you state what circumstances there are that now induce you to keep that large reserve unemployed?—The difficulty of employing it in the way of discount, in consequence of the small amount of bills in the market, arising from the falling off of trade. Another cause is the transmission of capital to this country, in consequence of the political state of the continent. Neither do we think it prudent, under the peculiar circumstances of the present time, to take any very active steps to diminish our reserve.

3604. Has the pressure of trade the greater effect in producing these large deposits, or the amount of capital coming over?—I think the depression of trade.

3605. What is the cause of the continued depression of trade, now that it is well known that the Bank has it in its power to afford any accommodation that is necessary?—The commerce of the country is paralyzed by the political events that are taking place on the continent; those events check all commercial transactions between this country and the continent.

3606. Do you attribute the whole of the depression in trade to that cause?—I attribute the greater part to the events which have lately taken place on the continent; we might have expected in the spring to have had a good trade, but for those events.

3607. You have been asked some questions about the amount of sovereigns; are you aware that there is daily going on a melting of sovereigns in this country for the purpose of being used by jewellers?—The trade generally buy bar-gold; they do not generally melt sovereigns; we are continually selling bar-gold to the trade.

3608. Are you not aware that the price at which bar-gold is sold, with the commission and the risk of insurance, makes it a more profitable thing to melt sovereigns than bar-gold?—In this country there is no insurance.

3609. But if you want to get bar-gold in the country you pay commission, and a considerable insurance in sending it by the railroad, and there is a considerable expense in the carriage; are you aware that that operates so much that almost all the gold that is used by jewellers is now melted from sovereigns?—I am not aware;

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aware; in London we are continually selling bar-gold to the trade, but what may be the case in the country I cannot say.

3610. Are you not aware that there is a large amount of gold every week melted in Clerkenwell from sovereigns?—No, I have no means of knowing that.

3611. Mr. Wilson.] You said that the object of the Act of 1844 was to cause a mixed currency of paper and coin to fluctuate precisely in the same way as a currency composed entirely of metal would fluctuate; is it your opinion that the Act of 1819 did not accomplish that?—The object of the Act of 1819 was to accomplish that; but I consider the Act of 1844 as carrying out the Act of 1819, inasmuch as it has placed a control over the issues of the country.

3612. But as far as regards the Bank of England?—I have stated in my evidence, that as far as the Bank of England is concerned, it was not necessary that the Act of 1844 should have been passed; because the Bank ought to have acted upon those principles whether the Act had passed or not.

3613. Is it then only as regards the operation of other banks in the country that you think the Act of 1844 is necessary, in order to make a mixed circulation fluctuate on the same principles as a metallic circulation?—I think it is necessary for the whole banking interests of the country; because, though I stated that the Bank of England ought to have acted upon the principles of the Act of 1844, yet in 1825, 1837 and 1839, they acted in variance with them, and therefore it was right in the Legislature no longer to leave a discretion to the Bank but to make the action obligatory.

3614. I understood your former answer to be, that you did not think the Act of 1844 was necessary, in order to produce that effect as regards the circulation of the Bank of England; the Act of 1819 had accomplished that object as far as regards the Bank of England?—Yes.

3615. It was only as regards the other banks that you think it was necessary for the Act to be passed?—The other banks were equally bound to adhere to those principles.

3616. In what way do you think the Act of 1844 was necessary to accomplish that object with regard to other banks, when it was not necessary to accomplish it with regard to the Bank of England?—What I ought to have said was, that the Act was necessary in order to put the whole banking system of the country upon a sound footing, including the Bank of England.

3617. Do I understand you to say that the Act of 1819 was fully sufficient to make a mixed circulation of paper and coin fluctuate upon precisely the same principles as a circulation composed of coin entirely would have fluctuated, provided the bankers had managed their business with proper discretion?—Provided the bankers had not made a larger amount of issues than they were able to exchange against gold when called upon.

3618. It was altogether greatly mismanaged?—Yes; and the Act of 1844 was for the purpose of putting a limitation upon the power of issue by the banks of the country.

3619. But I understood you in your former evidence to say, that the amount of their circulation depended upon the demands of the public?—I have stated that what you call the circulation with the public, or what I may call notes out with the public, will interfere with the action of the notes of the issue department.

3620. But before the Act of 1844, the only thing that we understood by the term "circulation," was the notes in the hands of the public; and as far as regards the country bankers at the present moment, the only thing known as circulation is the notes in the hands of the public?—Previous to the Act of 1844, many persons considered that only the notes with the public were circulation. I have always considered that the whole of the notes out of the issue department as circulation.

3621. Then am I to understand that it is your opinion that the Bank Act of 1844 was not necessary for the purpose of making the mixed circulation of notes and coin fluctuate in the same way as a metallic currency would do?—I think the Act of 1844 was necessary in order to put some limitation on the Bank's issues, and to prevent their contravening the Act of 1819; I consider that the Act of 1819, provided for a resumption of cash payments, every party issuing notes was bound to pay for them in gold on presentation; but it did not prevent the issues of parties beyond the power of meeting their obligations, and the object of the Act of 1844 was to put a limit beyond which parties should not issue, and the

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limit was such that under no circumstances should the convertibility of the bank note ever be endangered.

3622. Then you consider that the effect of the Act of 1844 is that it makes the Bank, who were before that indiscreet, more careful?—The Act of 1844 limits the issues of the Bank.

3623. There is no guarantee in the Act of 1844 for the payment of its issues?—The issues are limited to such an extent that under no circumstances will the note be endangered.

3624. The Act of 1844 does out at all provide against political internal panic?—It is impossible that any banking principle can be carried out which shall secure that the whole of the notes which are issued shall be convertible, supposing a demand is made for the whole amount; but the object of the Act is, that when an export of the bullion takes place in consequence of the exchanges being adverse, the withdrawal of a certain amount of notes will make the remainder so valuable that the exchanges will turn, and the export of bullion be arrested.

3625. Confining your attention to the effect upon other banks?—The effect upon other banks is that it limits the issues.

3626. Does it provide for the public any certain guarantee for the payment of those issues?—Inasmuch as those issues are limited, and it is considered that issuing up to the amount fixed will not endanger the payment; it is a guarantee.

3627. Does not the chance of a run upon a country bank depend upon the credit of the banker, and not upon the amount of notes that he has out?—I am not speaking of the credit of individual bankers, but of the effect that their issues will have upon the whole circulation of the country. The Act does not secure that the notes of any particular banker shall be good, but it secures that the notes issued shall not be so issued as to derange the circulation.

3628. But we have had evidence from parties that no country bankers have any power of issuing beyond what the demands of the neighbourhood require; that if they issue a greater amount than that, the notes are immediately returned upon them; that being so, how do you think that a country banker could, even if he had the power under the Act, increase his circulation so as to depreciate the general currency of the country?—I think that in 1824 and in 1825, at periods when the Bank of England was withdrawing their circulation, the country bankers made their issues, filling up the vacuum which had been caused by the withdrawal of the Bank of England paper; that, in fact, when we decreased the amount of our paper, the country bankers increased theirs, and generally in their issues the country bankers did not regard their effect on the country in general.

3629. Mr. Spooner.] What leads you to think that the country bankers increased their issues in 1824 and 1825 in proportion as the Bank of England diminished their issues?—I will not say that they increased their issues in proportion as the Bank of England diminished theirs; but to the best of my recollection, as the abstraction of Bank of England notes was made by the Bank of England, the country bankers increased their issues; whether in the same proportion or not, I cannot recollect.—(Mr. Prescott.) The same thing occurred in 1837 and 1839.

3630. Mr. Wilson.] Of course you are of opinion that a certain amount of circulation is necessary for the country, and if one party withdraws his notes, it makes room for the notes of other parties?—The circulation being withdrawn in consequence of the export of bullion, and the notes in the issue department of the Bank being cancelled to that amount, if any other party has the power of filling up the portion which has been abstracted that action, contrary to the principles of the Act of 1844, may have the effect of bringing us to the position that we were in in 1837 and 1839 from not allowing the circulation to contract in proportion to the export of bullion.

3631. Is it your opinion that, under a metallic currency, the circulation would contract in proportion to the export of bullion?—In the issue department, decidedly.

3632. I am not speaking of the issue department, but of the circulation generally; supposing we had a metallic currency altogether, would it vary in proportion to the export of bullion; the Chairman has asked you what you consider to be the circulation of the country?—Supposing we call currency, that which is out with the public, the total circulation of the country would not decrease in proportion to the export of bullion, because the bankers, in consequence of money being

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being more valuable, would have an inducement to hold smaller reserves than they held at times when the circulation was full, and money not so valuable; the effect would be exactly the same, whether it was a mixed currency or a metallic currency.

3633. Prior to the Act of 1844 being passed in the case of a drain for the payment of corn, or from any other cause which had deranged the exchanges, what reserve did that drain first act upon?—The reserve of the bankers.

3634. The reserves of all the bankers?—Yes.

3635. Is it your opinion that the bankers generally keep larger reserves than are necessary for the daily transactions of their business?—When money is cheap undoubtedly.

3636. They keep them in their own possession?—In their own possession, or in the Bank of England, which is the same thing; they have it locked up in the Bank for safety, instead of keeping it themselves.

3637. Are not those reserves included in the apparent reserve of the Bank of England?—They form a portion of the reserve of the Bank of England.

3638. Suppose we see in the Bank a reserve to the extent of 15,000,000*l.* of bullion, does not that include the reserves of the bankers?—The 15,000,000*l.* of bullion have nothing to do with the banking department; they have to do with the issue department.

3639. I am speaking of the period before 1844; the reserves of the private bankers are in the hands of the Bank of England in the shape of deposits?—Yes.

3640. Is the reserve of the private bankers very large generally?—Yes.

3641. Then the reserve of the Bank of England in reality includes the reserves of the private bankers?—Yes, it includes a portion.

3642. Then if an export of gold take place, does it not act exclusively, in the first instance, upon the reserve of the Bank of England, because if the reserves of a private banker are drawn upon, he must go to the Bank of England, and withdraw from the Bank of England a portion of his deposits; therefore the whole effect of an export, in the first instance, would appear as an operation upon the Bank of England?—It would appear as an operation upon the Bank of England, but it would also be acting upon the reserves of the bankers, inasmuch as it is a withdrawal of a portion of the reserves which they have in the Bank of England.—(Mr. Prescott.) It would be acting upon the reserves of all the bankers throughout the country as well as of London bankers.

3643. Upon the reserves of all bankers, whether they have an account with the Bank of England or not?—(Mr. Morris.) Upon the reserves of all bankers, whether they have accounts with the Bank of England or not; the reserves of all other bankers are affected to a certain extent.

3644. Do you think the withdrawal of bullion for the purpose of export would, in the first instance, affect the quantity of coin in circulation, provided we had a metallic circulation entirely?—It would affect the portion of coin which was out with the public, and also the portion of coin in reserve.

3645. What induces you to think that it would affect the portion of coin in the hands of the public; for I find, in answer to a former question, you stated that 7,000,000*l.* of gold had gone during the last summer out of the Bank reserve, and only 1,000,000*l.* out of the circulation of coin in the country?—I stated 7,500,000*l.* out of the Bank and 1,500,000*l.* out of the coin of the country, making about 9,000,000*l.*

3646. What reason have you for believing that 1,500,000*l.* was abstracted from the circulation?—I gave it as an opinion; as regards the 7,500,000*l.* we know that as a fact, and I was aware that an amount of the circulation of coin had gone, and I assumed that 1,500,000*l.* might have gone out from the coin with the public.

3647. You had no particular reason for believing that the circulation of coin was diminished in the country at that period; it was merely an assumption?—It was an assumption.

3648. Was the circulation of notes diminished during that period; take August 1846 and April 1847?—On 1st August 1846 the circulation was 20,495,000*l.* of notes with the public, and on the 3d of April 1847 it was 19,855,000.

3649. That is about 200,000*l.* less?—Yes.

3650. During that period how much gold had gone?—About 5,000,000*l.*

3651. While 5,000,000*l.* of gold had gone, the notes in the hands of the public had only diminished about 200,000*l.*?—Yes.

3652. Have you any reason to think that the coin in the hands of the public
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during that period had been diminished in a larger proportion?—I have no means of knowing.

3653. You know the object for which notes and coin are used for the purposes of circulation; coin being used for the common purposes of life and for smaller purchases in business, and notes being used for the reserves of the bankers and for other purposes where they can conveniently be spared; and have you any reason for believing that 1,500,000 *l.* of coin was taken out during that period when so small a proportion of notes was taken?—My impression that that quantity of coin was taken out was founded upon the rate of the exchange. Captains and passengers going to the United States took the money they required principally in gold, because it made them a more favourable exchange than bills or credits. The gold may have been taken from private bankers and from other sources.

3654. But if they had collected it from private bankers, or in any other way, would not that vacuum be immediately filled up by coin drawn from the reserve of the Bank of England?—The Bank issued gold coin between the 14th of August and the 31st of October to an extent of 2,200,000 *l.*

3655. But you have expressed an opinion that that was for the purpose of hoarding?—It might have been for an internal drain, or for the wants of Scotland and Ireland.

3656. Both you and the Deputy-governor have expressed an opinion that the amount of circulation in the hands of the public depends upon the extent of trade and the price of commodities, and the various purposes for which circulation is required. Supposing captains, or any other persons, for export purposes, had taken a portion of the coin that was in circulation out of circulation, would not it be withdrawn from private bankers, and would not those private bankers come to the Bank of England for coin to replace it?—(Mr. Prescott.) I have no doubt they would.

3657. Then a drain of gold would have an effect upon the gold actually in the hands of the Bank?—(Mr. Morris.) It depends upon the state of the reserves; the first operation of an export would be to act upon the reserves; if the banking interests of the country so regulated their transactions as not to allow their reserves to be diminished in consequence, but kept the same reserves, then the action would be upon the bank notes out with the public. Supposing the amount of reserve previous to the export of gold, and the amount of reserve after the gold went, remained the same, the action would have taken place upon the notes or the bullion with the public.

3658. But is it possible to suppose, if there is a large demand for bullion for export, that the reserve will remain the same?—No, it will diminish; money being more valuable, there is a greater inducement to employ the reserve than there was previously.

3659. The first effect would be, that there would be an unusual demand for discounts or advances upon securities?—There would be a greater demand upon the reserve of the Bank in consequence of the increased value of money.

3660. Will you have the goodness to turn to the amount of bullion which you held in August 1846?—On the 1st of August 1846 the amount of bullion was 15,803,000 *l.*

3661. Will you have the goodness to turn to the amount of securities on the same day?—The total amount of banking securities on that day was 27,000,000 *l.*

3662. That includes the Government and private securities as well?—Yes, the whole.

3663. What is the amount of circulation?—The notes with the public were 20,495,000 *l.*

3664. Will you go now to April 1847; will you state what amount of bullion you had on the 3d of April?—10,246,000 *l.*

3665. Being a reduction of 5,000,000 *l.*?—Yes.

3666. Will you state the total amount of securities on that day?—*£.* 30,620,000, and the amount in circulation in the hands of the public 19,855,000 *l.*

3667. You find that during that period the bullion had sunk 5,000,000 *l.*, and during the same period the securities had risen 3,000,000 *l.*; but the circulation in the hands of the public was affected only by 200,000 *l.*; would not the operation be somewhat in this way, as soon as there was a demand for bullion for exportation, you would have a larger demand for discounts from merchants, or for advances upon securities, and those demands you appear to have met with an extra sum of upwards of 3,000,000 *l.*; and although, in the first instance, you
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buy notes, those notes are immediately exchanged for bullion, and the whole amount sent abroad is taken out of your reserve of bullion?—Yes, with the exception of 200,000 *l*.

3668. There would therefore be, during that period, not the slightest contraction of notes in the hands of the public, the same amount remaining in circulation as if no gold had been exported?—That was the case.

3669. Is there any reason to suppose that the circumstances then were an exception to what would be the result in any other similar case?—I have stated already in my evidence, that I thought the Bank at that period had allowed its reserve to go too low.

3670. But, beyond a want of prudence in the Bank, was there any other reason that you are aware of, why that period should differ from any other?—No.

3671. I have understood, from the former part of your evidence, that it was your opinion that in the month of November 1846 the Bank ought to have raised its rate of discount?—Yes.

3672. And you were induced to form that opinion from the observation you made as to the consequences of the bad harvest, which everybody admitted, and the state of the exchanges?—Yes, the state of the exchanges with the United States; with the continent of Europe the exchanges were still in our favour.

3673. You anticipated at that period a large importation of corn, and you therefore anticipated, as a prudent banker, a drain of gold?—Yes, I thought it was probable.

3674. You were of one opinion, and the majority of the directors of the Bank of England were of a different opinion; they acted in perfect conformity with the Act of 1844, though they acted contrary to your opinion, and, as circumstances turned out, it was proved that you formed the soundest opinion?—I cannot admit that either I or they acted as the Act of 1844 pointed out, because the Act of 1844 never pointed to the principle of the management of the Bank; all that the Act of 1844 did was to allow us to issue, to a certain extent, out of the issue department against securities, but it did not prescribe on what principles we were to manage the Bank.

3675. Was it not part of the principle of the Act of 1844 to compel you to regulate your circulation according to the foreign exchanges?—The Act of 1844 provides that when an export of the precious metals takes place, the circulation of the country is to be restricted in proportion; it has nothing to do with the management of the Bank; Sir Robert Peel stated in his speech on bringing in the Bill that the banking department of the Bank was to be carried on on the same principle as any other bank.

3676. What do you mean by "circulation"?—I mean the whole of the notes out of the issue department.

3677. In a former answer, you have stated that the effect of the Bank Act of 1844, and the principle upon which it was based, was to compel the Bank to regulate its transactions with reference to the foreign exchanges, and that, prior to the Act of 1844, the Bank paid no attention to the foreign exchanges, and in consequence of that they had got into danger?—What I meant to say was, that the Act of 1844 provided for the issue department, leaving the banking department entirely as it was; previous to 1844 there was no prescription as to the issue department, and the effect of the Act of 1844 was to limit the issue department; that was what I intended to have said.

3678. Before the Act of 1844, in the case of a drain of gold for payment of corn, would it have had a different effect upon the circulation from the effect that the Act of 1844 has produced under similar circumstances?—It ought not to have had a different effect, but it might have had a different effect; if assistance had been attempted to be given to the commercial community, the effect would have been to have given temporary relief, but ultimately to render it necessary to have recourse to more stringent and violent measures instead of milder measures in the first instance.

3679. Did it not amount to this, that the Bank of England never kept a prudent reserve?—If you speak of 1825, 1837 and 1839, I should say that they did not look sufficiently to the state of their reserve.

3680. Then the effect of the Act was to provide means for the Bank doing what they ought to have done without it?—The Act of 1844 had nothing to do with the Bank management, except in so far as it limited our means of getting

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notes, in the same way as any private banker, and obliged us to get notes out of the market for the purpose of strengthening our reserve.

3681. What real practical difference do you think arises from the separation of the two departments in the management of the Bank?—The great advantage is, that the Bank is limited in the amount of notes that they have out of the issue department in the same way as any other banker is limited.

3682. Do not the notes out of the issue department represent what would, under the old system, have been so much bullion in your possession; so make the question more clear, will you be good enough to turn to any one day, and state the amount of notes out with the public?—On the 1st of August 1846 the amount of notes out with the public was 20,495,000*l*.

3683. What was the amount of reserve of notes and bullion?—The amount of the reserve of notes was 8,797,000*l*., and the amount of coin was 9,307,000*l*.

3684. Then under the old system the total amount of bullion in the Bank on that day would have been 15,600,000*l*?—Yes.

3685. Under the old system before 1844, what you call now your reserve of notes under the Act, would have merely represented so much bullion prior to the separation of the two departments of the Bank; and previously to the Bank Act of 1844 coming into operation, the reserve of notes which you held on that day would simply have bleeded itself with the amount of bullion you held to meet your general liabilities?—The reserve would have been still in notes; I do not see how it would make any difference.

3686. The reserve of notes and the bullion in the issue department are identical?—Yes, they are notes representing bullion.

3687. Therefore, whether you call it a reserve of notes, or a reserve of bullion, it would come to the same thing?—Yes.

3688. In what way can the separation of the two departments affect the quantity of reserve which you have for the general purposes of the Bank?—I will suppose that the issue department was a Government Bank of issue; the Bank of England would then be a large banking company, and would receive a certain amount of notes in the shape of deposits; we should keep a portion in reserve, and the remainder we should invest in the purchase of securities.

3689. I wish to place upon your evidence what is the real practical difference arising from the separation of the two departments; prior to the separation of the two departments, you would have called that a reserve of bullion, and since the separation of the two departments the only difference is, that you call it a reserve of notes; but the two are perfectly identical, and, as you before stated, it was a mere matter of account?—It was a mere matter of account, and, as I have stated before, we ought to have kept our accounts in the same way, whether the departments were separated or not.

3690. Then the effect of the two departments of the Bank would really not practically go beyond the matter of account?—The separation of accounts took place in 1840, independently of the Act.

3691. That is, you kept the two classes of liabilities in separate accounts?—We had the same distinction in the separation between the issue and banking departments that we have now; we considered that a certain amount was issued against securities, and a certain amount against bullion, and, as a matter of account, that amount was kept as separate as it is under the Act.

3692. That is, knowing that your deposits were acted upon by one principle, and your circulation by another principle, you always kept a distinction between the two liabilities with regard to the amount of reserve which you held against each?—We separated them as a matter of account, in order that we might know what the real amount of reserve of notes was, for the purpose of meeting our liabilities.

3693. But you did not call them notes then, you called them bullion?—We called them notes then.

3694. But the reserve of notes which you hold now in the banking department, forms part of the same fund of the reserve of bullion which you held in the two departments before they were separated?—The principle on which the reserve is held in the Bank now is the same principle as it was previous to the passing of the Act of 1844?—(Mr. Prescott). The reserve fluctuates with the increase or diminution of the bullion.

3695. If that be the case, in what way does the Act of 1844 regulate in any way the amount of reserve which you have at your command?—(Mr. Morris.)

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The Act of 1844 does not affect the reserve; our reserve is affected by our own management; the object of the Act of 1844 was to control the issue of notes in the country, and not to regulate the manner in which we were to carry on our banking operations; the object of the Act of 1844 was to limit the general circulation of the country; but the object was not to control the action of the Bank of England as regards its banking management.

3696. But the Act of 1844 does not regulate the issue of notes in the country?—The Act of 1844 allows the Bank of England to issue 14,000,000 *l.* of notes against securities, the country bankers about 8,000,000 *l.*, and the Scotch and Irish about 9,000,000 *l.*, making altogether about 32,000,000 *l.*; no other notes can be issued, unless they are issued in exchange for bullion.

3697. But the Act of 1844 does not regulate the quantity of notes that you issue to the public, but only the quantity that you issued from one department to the other?—The Act of 1844 regulates the whole amount of notes that can be issued to the public; a fixed amount may be issued against securities, and the remainder can only be issued against bullion.

3698. Mr. Spooner.] It fixes the maximum, but not the minimum?—I think it fixes the minimum of 11,000,000 *l.*, but the maximum is fixed at 14,000,000 *l.*

3699. Mr. Wilson.] Prior to the Act of 1844 the same limit was produced by the quantity of bullion which you held?—Prior to the Act of 1844 we were at liberty to issue any amount of notes we pleased; there was no restriction of the amount of notes which we might issue; the only restriction was the responsibility of paying them on demand.

3700. Then the whole question as to whether you issued more notes than you could pay on demand depended upon the quantity of gold you held in reserve?—Yes.

3701. Therefore had the affairs of the Bank of England been regulated with prudence and discretion under the old system, it would have been managed in the same way as the Bank Act of 1844 defines that it shall be managed?—Yes.

3702. With regard to the issue of notes, you stated in a former answer that under any circumstances that could arise you thought the Bank would be bound to keep its reserve up in the same way, whether the demand was for an internal and accidental drain, or for a permanent and foreign drain?—I stated that in looking to the demand upon our reserve, we were to treat it in the same way, whether it was an external or an internal demand, with this exception, that an internal demand might last for a short period, but the action of an external drain would be likely to continue longer.

3703. With regard to the two practical periods of difficulty last year, were they not upon the payment of the dividends?—It was at the period when the dividends were paid.

3704. Is it your opinion that those two particular crises had any relation to the payment of the dividends?—No, except as I have stated that I thought in April the Bank would have acted more prudently by keeping a larger reserve for the purpose of paying the dividends.

3705. But when the dividends were paid in April and October, was not this the fact, that you had very much lessened the amount of notes issued to the public on account of having to pay the dividends, and that the public had a difficulty in repaying those advances, which you had limited for the purpose of paying the dividends?—In April the advances to the public to be repaid were not to a considerable amount; in October they were to a very considerable amount, and the public were alarmed at the idea of having to repay them; but the whole passed over without difficulty. The notes which were re-issued to the public in payment of the dividends, enabled them to repay those advances; and we paid the dividends out of the notes which we received from the public; it was merely an exchange.

3706. If you increase the issue notes for the purpose of paying the dividends, you do not increase your liabilities as a Bank, because in proportion as you increase the notes in circulation you diminish the amount of liabilities upon the deposits, the dividends being paid from the Government deposits?—As we pay the dividends, our liability to the Government for deposits diminishes.

3707. Therefore as you increase the circulation, the deposits diminish to the same amount?—The circulation does not increase considerably, because a large portion of the dividends is paid back to the Bank, and remains in the shape of deposits.

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3708. But the first effect of your increased circulation is not to increase your liabilities, because your deposits are diminished in the same proportion?—Yes, the Government deposits are decreased.

3709. If there are 5,000,000 *l.* of notes issued in payment of the dividends, that diminishes your liabilities or deposits to that amount, and therefore your entire liabilities remain the same as before?—Yes.

3710. And having made advances which are due immediately after the payment of the dividends, you can always calculate with certainty upon the rapid return of those notes?—Yes.

3711. Would you therefore consider with reference to the circulation of notes in the country that it was necessary for you to observe the same rule in the amount of your circulation of notes for the purpose of paying the dividends when you were sure of having the notes returned to you within a day or two as you would observe if a merchant were to bring bills of exchange to you for discount for the purpose of sending gold abroad to meet a foreign payment?—I think you should deal with it as under the same circumstances.

3712. Would you deal as under the same circumstances with an increased circulation of notes which had taken place without an increase of your whole liabilities, and with a certainty that the notes must return to you in a few days, as you would deal with an increased circulation to the same amount, for the purpose of meeting a foreign demand. Supposing the Bank Act of 1844 did not exist, and you had no restriction upon your circulation, would you consider it necessary, for the purpose of paying the dividends, to restrict the issue of notes?—Whether the Act of 1844 had existed or not, we ought to have followed the same principles of action and have retained notes for the purpose of meeting the dividend.

3713. Supposing that on the eve of the payment of the dividends your reserve was only 2,000,000 *l.* of notes, with a reserve of 2,000,000 *l.*, you would have some difficulty in sparing a sufficient quantity of notes to meet the payment of the dividends, without infringing the Act of 1844, but having the certainty that those notes must be returned to you, and that they would be in many instances transferred by check, and that they would pass out of your hands without increasing your liabilities, and would come back to you into the issue department in the course of a few days, would you consider it an unsafe banking operation for you, as a banker, to increase your temporary issue of notes during that period for that specific purpose?—The position you have put, that our reserve was only 2,000,000 *l.*, would indicate that the value of money was high, and as we always find in the payment of the dividends, that if the value of money is high, the notes are much longer returning to us than when money is cheap, therefore I would say that in such a case it would be wrong to make a temporary issue.

3714. But I am supposing that you had made temporary advances prior to the payment of the dividends, upon such securities as you are perfectly satisfied with, which must be repaid to you in the following week, and with the very notes which you issue; would you consider that under those circumstances it was necessary in banking prudence to limit your issues according to the principles of the Act?—Yes, I would not depart from principle, though it was for such a short period of time.

3715. But would it be a departure from principle, inasmuch as this operation does not increase your liabilities, and prior to the payment of the dividends you can stop short in the advances upon deposits?—We have never lent out nearly the amount of dividends that we are called upon to pay; we have lent out only a portion of that which we have to pay for the dividend.

3716. But at periods of pressure, when your reserve is sunk very low, does it become necessary to apply that principle strictly on the occasion of the payment of the dividends, or of any other temporary payment, with the power that you have in your own possession of regaining those notes within a few days, not having added to your entire liabilities?—We have never let our reserve go down with that view; we are not able to pay the dividends without a sufficient amount of notes, and we always take care to have a sufficient amount of notes coming in to enable us to pay the dividends; if our reserve was so low as 2,000,000 *l.*, a larger portion of the advances would have been made payable before the dividends became due, and not after they became due; that would be a matter of arrangement to enable us to pay the dividends; if the reserve was low, the money which would

would be lent out in the shape of loans would be lent out to be repaid previously to the payment of the dividends.

3717. The temporary loans which you make prior to the payment of the dividends are made upon the principle of anticipating the payment of the dividends, in order that the public may not be inconvenienced by the abstraction of so large a portion of money from the ordinary purposes of trade during the latter part of the quarter?—If the Government balances are large, we lend out money, to be repaid previously to the payment of the dividends; supposing the Bank not to do so, the abstraction of notes from the market would be sensibly felt; we lend those balances out principally to be repaid previously to the payment of the dividends; the object is to lend a portion to be repaid before the payment of the dividends, and a portion to be paid during the week in which the dividends are paid.

3718. The real object of your temporary advance is to issue a portion of your reserve which you would not issue otherwise?—Yes; the dividends are not paid on one day; the payment runs over three or four weeks.

3719. They are paid within a day or two to the bankers?—That is merely a transference of the balances.

3720. Would you consider it necessary, upon the strictest and most prudent principles of banking, to limit your issues to any particular amount for the temporary purpose of the payment of the dividends, which did not increase your liabilities, and with the certainty that the notes you issued must be returned to you within a few days?—I think that I would in such a case strictly follow out those principles.—(Mr. Prescott.) In the case you put, such an issue might be made without any detriment except the danger of violating the principle.

3721. But could there be any practical danger to the Bank or any practical inconvenience?—(Mr. Morris.) I think that departing from principle is always dangerous.

3722. But the question is, whether it is departing from principle; we are now speaking of the prudent management of a bank, and I suppose you will agree with me that the true principles of banking are, first, that a bank shall never place itself in such a position as that it shall be unable to meet its liabilities; and next, that it shall employ the whole of its resources at the greatest profit that it can with reference to prudence, looking to its reserve?—Yes.

3723. Are not those the two great principles of banking, and are not all the other principles subordinate to those?—Yes.

3724. Then would it be contrary to those principles if, as the Deputy-governor says, you might do under such circumstances, you were to issue notes for that particular purpose?—It would be contrary to principle.—(Mr. Prescott.) It would be difficult to draw a distinction practically between the causes of the demand for notes, and, therefore, it would be dangerous to admit, for a temporary purpose, that it would be proper to make an issue of notes, lest such a precedent should lead to an issue of notes at a time when it might have a detrimental effect upon the exchanges.

3725. Would it not be a matter of such discretion, as the Governor showed, that he exercised in the view he took in the month of November last; like all other business transactions, would not the circumstances in which the issue took place, be matter for the fair consideration of those who made the issue; and would it not be a question of prudence and discretion of management?—I think it would be difficult to draw a distinction in many cases.

3726. I suppose you agree with me that the real effect of the Bank Act of 1844 is to keep up a large reserve of bullion for the sake of the convertibility of the notes.—(Mr. Morris.) The object of the Act was to keep a sufficient amount of bullion to secure the convertibility of the note.

3727. And it would be the duty of the Bank, looking at its legal liabilities, without the Act of 1844, but simply proceeding under the Act of 1819 to do the same thing?—Under the Act of 1819, the Bank was bound to take care that it was able to pay its notes in gold.

3728. And if it did not do so, it did not manage its business properly?—If it did not do so it would stop payment.

3729. But, in fact, the convertibility of the note was never hazarded?—I think the convertibility of the note was hazarded in 1825.

3730. The note was always convertible?—The note was always convertible, but

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3731. Did it not at last resolve itself into this, that the Bank had to make a very serious sacrifice of its own securities in order to obtain gold for the purpose of maintaining the convertibility of the note?—No, it did not resolve itself into that; it obliged the Bank and the banking interests of the country to take such restrictive measures that the whole community suffered considerably, in consequence of the Bank not having looked sufficiently to the means of paying its notes.

3732. Did not the Bank also suffer very largely?—Yes, it did.

3733. Both in 1825 and 1839 by its operation on Paris?—In both periods we suffered, and in 1839 by its operation on Paris.

3734. Then it amounts to this, that the Bank had over-traded with its capital, and it was unable to meet its liabilities without making a large sacrifice of its securities?—For the purpose of protecting itself, it created great difficulty throughout the country, being obliged to take stringent and violent measures, the effect of which fell upon the commercial community generally.

3735. Do you think that the measures of 1839, in connexion with the effort that the Bank made to borrow a sum of money from Paris at an enormous cost, produced half the pressure upon the country that the operation of last October produced?—Possibly the pressure in 1839 was not equal to the pressure in 1847, but the pressure in 1847 arose from circumstances to which there was no parallel in 1839.

3736. Did not the operation of borrowing money from Paris in 1839 cost the Bank of England a large sum of money?—Yes.

3737. In what way was it; by reason of the exchanges?—The exchanges, re-exchanges and the commissions; but it was not an enormous sacrifice.

3738. What was the amount?—I have no recollection of ever having seen the amount.

3739. Would you not call 5 per cent. sacrifice in the sale of securities an enormous sacrifice?—I do not think there could have been a sacrifice of 5 per cent. in the operation.

3740. In the commissions both ways and re-exchange, was there not a sacrifice to that amount?—No, I think not.

3741. In both places the loan must have been made at a very unfavourable exchange from the circumstances which necessitated the loan?—At that period the exchange was about 25-50, at three months, therefore the difference in the exchange would not have been very considerable; and the commissions between Paris and London are not large, the two places being so near to each other.

3742. If the Bank of England found it could not protect its notes except by making such sacrifices as it made at that period, would it not come to the conclusion that it was wiser, and on the whole more profitable, for it to keep a larger reserve than hitherto it had done for the purpose of protecting its notes?—The Bank should have kept a larger reserve to meet its liabilities.—(Mr. Prescott.) There is a great temptation held out to the Bank to employ its money at the high rate of interest which prevails at such periods, and, moreover, there is always a great pressure upon the Bank of England for advances, which it is difficult to resist, therefore the Act of 1844 affords the Bank protection against that sort of pressure.

3743. You think that the Act is useful in that way?—Yes.—(Mr. Morris.) It also obliges the Bank to look to the amount of notes in the issue department, or the general circulation of the country as the only means of replenishing its reserve.

3744. But you would have looked to the bullion under the old system?—Under the old system, in 1825, the depositors were paid by notes which had been paid in in exchange for bullion, the notes which had been paid in were re-issued, or, at least, a similar amount was re-issued.

3745. Mr. Hawes.] Did not the Bank, when they borrowed 2,000,000*l.* from the Bank of France, pay 5 per cent. for it?—The bankers in Paris granted the Bank of England a credit, they never were under any advances, and all that the bankers of France got was a commission.

3746. And interest at 5 per cent.?—The Paris bankers were never under any advance; bills were drawn from London at three months, and when those bills became due, either the bills were covered or the Paris bankers re-drew; therefore the Paris bankers were never under a cash advance.

3747. Were

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3747. Were not your discounts in England at that time above 5 per cent?—I think they were at 6 per cent.

3748. Did not that cover the whole expense incurred in the transaction?—Not entirely, but it went partially towards it.

3749. You have been asked respecting the effect which the export of bullion or the withdrawal of bullion from the Bank of England had upon the circulation; have you not found that a decrease of gold from the coffers of the Bank is affected by operations on the deposits and not on the circulation?—The withdrawal of bullion from the coffers of the Bank acts upon the reserve.

3750. Is not, therefore, the withdrawal of gold from the Bank a question more of capital than of circulation?—It is an abstraction of capital affecting the circulation of the country.

3751. Lord George Bentinck.] I believe the Bank commences business at 9 o'clock in the morning?—Yes, at 9 o'clock in the morning.

3752. You have stated that Friday, the 22d of October, was the last day on which the Bank considered itself responsible for maintaining the amount of the reserve?—Yes.

3753. You said, that after that you knew that the letter was coming out, and that you acted upon the spirit of the letter, though the letter did not come out till Monday the 25th of October?—We acted on the spirit of the letter in the course of Saturday, though the letter was only issued on Monday the 25th.

3754. May I ask the precise hour at which you got the intimation from the Government on Friday, that the letter would be issued on Monday?—That intimation we had on Saturday at about 11 o'clock.

3755. After 11 o'clock on Saturday, you acted upon the spirit of the letter?—It must have been later than 11 o'clock; it may have been 12 o'clock.

3756. In your former evidence you said, in speaking of the reserve in the Bank, "I am speaking now of the 22d of October, the day on which I consider we were responsible for the maintenance of the reserve;" the clear deduction from that is, that on Saturday you did not consider yourselves responsible for the maintenance of the reserve?—We did not.—(Mr. Prescott.) The reserve at the close of business; that is the only time that the reserve is ascertained.—(Mr. Morris.) It is made up every evening; we do not look to the reserve in the middle of the day.

3757. I apprehend you meant to say, that your transactions on the Saturday were governed by a knowledge of that letter?—Yes.

3758. And your transactions begin at 9 o'clock in the morning?—Yes, the routine transactions; the committee for the discount of bills do not meet till 11 o'clock; and parties who come in with bills, come at about half-past 11 or 12 o'clock.

3759. Between 11 and 12 o'clock the discount of bills commences; and at that time on the Saturday those transactions were not restricted by any apprehension that by too great a liberality of discount you might encroach upon the reserve that you had previously been bound to maintain?—As far as I recollect, I left the city for the purpose of going to the Chancellor of the Exchequer at about 11 o'clock, it was early in the day; the Deputy-governor was not able to go; I went with another member of the committee of treasury; the Deputy-governor knew that I was going for the purpose of seeing the Government, and if parties in the meantime made application for discounts, he would naturally say, "The Governor will be here in the course of an hour; let it stand over;" and it was when I came back, and had understood what the intentions of Government were, that we gave additional assistance.

3760. We have learned, from the evidence of Mr. Gurney, that he applied for discount on Friday, when it was refused, and that he obtained discount on Saturday at 9 per cent.?—I think he obtained assistance on Friday as well as on Saturday; he had assistance both on Friday and Saturday.—(Mr. Prescott.) I have a distinct recollection that Mr. Gurney came on Friday, and applied for a large amount of discount, and we first made some demur as to whether we should give it to him or not; but we finally agreed to let him have it at 10 per cent.; and after some little discussion, he having demurred to that, we made an abatement of one per cent., and we discounted a large amount at 9 per cent.: the question was put to the Governor on the first day of our examination, and there seemed to be some doubt on the minds of members of the Committee as to the facts; I have

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therefore since referred to the books and ascertained that there was discount given to Mr. Gurney both on Friday and on Saturday, and again on Monday.

3761. On Monday we have it in evidence, that Mr. Gurney, the restriction being taken off, no longer desired to have this discount at 9 per cent.—(Mr. Morris.) He had discount on Monday at 8 per cent., which was the rate fixed by the Government letter.

3762. Sir James Graham.] Mr. Gurney states that he did not have assistance till Saturday?—In consequence of that statement we have looked at the books, and we find that he had discount on Friday.

3763. Lord George Bentinck.] It appears quite clear that Mr. Gurney, had he been in possession of the same information that you were on Saturday, would not have consented to pay 9 per cent. for his money?—I think he would; he stated that his object was to transmit the money for the support of his country connexions, and therefore as he required the money, he would naturally have taken it at the rate at which we could have given it him.

3764. It appears that Mr. Gurney came to you for assistance on Monday morning, and he says that you received him with great courtesy, and told him that at two o'clock you would let him know whether you could let him have the money or not; but he says, "Before we went over at two o'clock, this relaxing letter had come down, and very generally the orders for money were immediately withdrawn;" then they said, "We do not want the money now; there is no occasion to pay it?"—Mr. Gurney took money of us on the Monday; as soon as the Court was over, I sent over to Mr. Gurney or Mr. Chapman to come and see me, and I stated that the letter had come, and that we were prepared to give them assistance to any extent, provided they gave us bills which we approved of, and that the rate of interest was 8 per cent., and, to the best of my recollection, they sent in bills on that day.—(Mr. Prescott.) They did so, I have referred to the books and ascertained it.

3765. Mr. Gurney says, "Other sums of money were immediately offered us, and people then began to think that they might use the notes which they had. Before the week was over we had to go and ask the Bank as a favour to let us repay the money which we had borrowed." What I wish to know is this; was it consistent with fairness and justice to your customers, that, whilst you were in the secret that this restriction was about to be removed from 11 o'clock on Saturday morning, you should keep that secret from the public, and avail yourselves of the high price of usury which was maintained as long as the restriction remained upon the Bank?—With respect to secrecy, it was not the business of the Bank to divulge what the Government were about to do; that was a matter between the Government and the public, and the Government made the intimation to the public at such a time as they thought fit and proper. We gave that assistance to Mr. Gurney; it was not for the purpose of serving our own interests, but entirely because he stated that he was in want of money, and that the rate of interest was comparatively speaking, of little moment to him; it was given to him for his own accommodation without any reference to the interest of the Bank.

3766. What you mean to say is, that you considered yourselves bound to secrecy, and that therefore you were obliged to profit by the knowledge of that secret against your own wishes and feelings, and that the Government and not the Bank of England are responsible for delaying the full knowledge of that very important fact from 11 or 12 o'clock in the morning of Saturday till apparently very nearly the middle of the day on Monday. Can you state at what time on Monday the letter came?—I forget the time at which I called the meeting of the Court of Directors on Monday but I called it as early as I could; and the public knew that the Court were sitting, and that we had been up to the Government.

3767. I have no doubt that you are perfectly correct in stating that the public or a portion of the public, knew that there was something going to happen on the Monday morning, inasmuch as I learn, from the returns of the stocks, that they closed at 79½ to 80 for money on Friday night, and that on Saturday night they closed at 81½ to 81½; they went up 1½ per cent.—I was not aware of that fact.

3768. Was not that the natural consequence of the removal of such a restriction, and was not great injustice done to all that portion of the public who were not initiated in the secret, if they sold out at lower prices, to the great advantage of those who were initiated in the secret, and purchased upon a rising market?—My belief is, that it was not known to any individual except myself and the Deputy-governor,

Deputy-governor, and the director who went up with me, Mr. Norman.—(Mr. Prescott.) I believe that greater confidence on the Stock Exchange arose from an impression which was derived from the visit of a deputation of bankers to the Government at that time; when they came back, they seemed to come back with the impression that some measure of relaxation would be taken.—(Mr. Morris.) Now that the Deputy-governor mentions it, I have a distinct recollection that the impression made upon the public mind by the reports which the bankers gave of their interview with the Government led to a belief that some relaxation was going to be made, and a rise in the price of stocks took place immediately.

3769. At what price did the funds close on Friday night?—I do not know.

3770. Sir James Graham.] You have no memorandum?—No, I have not any memorandum of it here.

3771. Lord George Bentinck.] Do you doubt that those were the prices, 79½ to 81 on Friday night, and 81½ to 81½ on Saturday night?—It is very possible, but I cannot say.

3772. They closed on Monday at 81½ to 81½?—(Mr. Prescott.) I do not doubt it was so, though I do not recollect the exact prices; there was a rise in Consols on Saturday.

3773. It appears in evidence, that at two different periods there were sums amounting to 768,000*l.* advanced to one joint stock bank in the country?—(Mr. Morris.) Yes.

3774. Of that sum 545,000*l.* was advanced prior to the restriction being removed?—I think it was; it has been given in evidence.

3775. It has been stated here in evidence that your custom is to discount bills that have not more than 96 days to run?—Yes.

3776. Were those the terms upon which you discounted those bills?—A portion of the assistance given to the——— Bank was upon bills discounted, and a portion as advances; but what portion was advance and what portion was discount, I cannot say at this moment.

3777. But no part of that money that was either advanced or discounted was given upon more favourable terms than in the ordinary course of the Bank in its discounts and advances?—I should say that it was given upon less favourable terms in the shape of interest.

3778. Has that 768,000*l.* been repaid to the Bank?—A portion of it.

3779. What portion of it?—It is mixed up with another account, but from the highest amount of the advance, we have had paid off about 300,000*l.*

3780. So that there has been 468,000*l.* permitted to run above three months?—The bills which were discounted had 96 days to run; the advances were made for a limited period, but upon bills having a longer date; they have not been placed upon more favourable terms, but I should say upon less favourable terms than other parties.

3781. Less favourable terms in respect of the high rate of interest?—Yes.

3782. Was that because the security was not so good?—The rate of interest which they paid was the rate of interest we were charging generally in the country at that period, but they, taking a larger portion of the advance at a period when there was a considerable demand for money, they have continued to pay us that rate of interest for a longer period than other parties.

3783. Do you consider that you had the same command of those advances that you had of the advances made to houses in general?—I do not consider that they are so available as other advances.

3784. How came it about that you made so very large an advance to one particular firm?—The advance was principally made by our agent taking it upon himself in consequence of being afraid of the disastrous results which might take place if he allowed the——— Bank to stop payment; he stated that most of the miners would have been thrown out of employment, and that the distress in that part of the country might have been extreme.

3785. Did not your agent rather transgress the ordinary rules of the Bank in making that advance?—He took a certain responsibility upon himself.—(Mr. Prescott.) He exceeded his powers.

3786. There must have been some confidence in his mind that the restriction would have been removed from the Bank?—(Mr. Morris.) He knew nothing about it.

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3787. You stated that you had constant communications with the Chancellor of the Exchequer and the Government, when did you first begin to think that the Government would relax the restriction upon the Bank if the pressure became very stringent?—(Mr. Morris.) On the Saturday.

3788. You said in your evidence that you thought it would have been very detrimental if the restriction had been taken off the Bank earlier than at the period, at which it was removed in the month of October?—I stated that, in my opinion, it would have been detrimental.

3789. You stated that the Bank was perfectly prepared to maintain the law, but "that there were other political motives which might influence the Government, such as the stopping of mills, and so on"?—I stated that, as far as the Bank was concerned, it was not requisite that the letter should have been issued, but whether the Government had any political reasons of their own, such as the stopping of mills or disturbances in the country, that was a subject for the consideration of Her Majesty's Government, not for the Bank of England.

3790. You stated that if, in October, they had relaxed the law sooner than they did, it would have been "very detrimental"?—I stated that it would have been injudicious.

3791. It would, at all events, have been detrimental to the Bank, because it would have reduced their profit?—I meant that it would have been detrimental to the interests of the country.

3792. Then do you think the stopping of the mills advantageous to the country?—I am not prepared to say that that which was represented would have taken place; I doubt it very much.

3793. You doubt whether the mills would have been stopped; do you doubt that if your agent had not transgressed his instructions, and had not made an advance to the ———— Bank, the miners in the north of England would have been thrown out of work?—I said that our agent stated to us, that unless he made the advances, the ———— Bank must have stopped payment; and the consequences would have been to create the greatest distress in the district.

3794. You do not doubt the fact, first of all, that the ———— Bank would have stopped payment, and that wages would not have been paid to the colliers and miners, and there would have been great distress in the north of England?—I believe that would have been the case.

3795. You stated in your evidence that you were bound to say the letter of the Government produced the effect that was expected, and that it stayed the panic?—I stated that the letter of the Government had stayed the panic, but that, at the same time, I was not prepared to say that in a short period the panic might not have subsided, even if the letter had not been issued.

3796. But do you not think the staying of the panic a fortnight earlier would have been the very reverse of detrimental?—No, because I think it might have checked the importation of the precious metals which was then taking place.

3797. You have proved by your own evidence that there was no exportation of the precious metals after the month of August?—What I state now is, that it would have checked the importation of the precious metals; the exchange was favourable, and gold was coming into the country, and any relaxation making money easier might have been the means of checking the importation of the precious metals, and so far have been detrimental to the interests of the country.

3798. You said that the effect of the letter was immediately to allay the panic?—Yes.

3799. But do you think that any questionable risk of checking the influx of bullion, which was already taking place, the exchanges being in favour of this country, could be balanced against the continuance for a single week of such a panic as that which existed in October?—The letter being issued earlier might have put off the distress for a short time, but, in my opinion, the result would have been that the interests of the country would have suffered more severely, as it would have delayed the rectifying the state of things generally in the country.

3800. Are you aware that the public stocks in the country and canal and railway shares had already by the 23d of October been depreciated in the aggregate to the amount of 114,752,225*l.*?—It has been so stated.

3801. Was it to be endured that a still greater depreciation than that should be submitted

submitted to?—If it was a necessary consequence arising out of the then state of things, it could not be helped.

3802. The restriction having been taken off between the 23d of October and the 1st of December, it appears that the public funds were again appreciated to the amount of 42,269,000*l.*, and that railway shares were appreciated to the amount of 3,123,749*l.*; does anything speak more plainly than that of the ruinous effects of the Bank restriction upon the country, and the great advantage of the removal of it?—I consider that the pressure which arose out of the peculiar circumstances of that time did not arise in consequence of the Bank Act, but that it arose from circumstances perfectly independent of it; I have stated that it arose in consequence of the very large importation of food at a period of high credit and speculation, and it is impossible that a portion of the country should not suffer after you have required an importation of food to the extent of 26,000,000*l.* in one year.

3803. I am speaking of the crisis in October, the period in which this panic was allayed. I believe we may take it that the same property which had been depreciated previously to the 23d of October, to an amount of very nearly 94,000,000*l.* was appreciated in the course of less than six weeks after that date to an amount of 42,000,000*l.*?—I have stated that if the letter had not been issued, I am not prepared to say the panic might not have subsided of itself in a short period. In April the same representations were made, that unless Government came forward and granted assistance in the way of relaxation, the consequences would be fatal to the country; but Government did not grant any relief, and in the course of a short period things recovered themselves; my impression is, that in October the same result might have been witnessed.

3804. Do you mean to say that in the months of April and May good houses were not seriously injured by the tightness of the money-market, which might have been obviated then by a relaxation of the restriction?—It lasted so short a period that I should think very few houses were considerably injured by it.

3805. Do you mean to say in your conscience that you believe that there were not a very great many houses seriously injured in the months of April and May by the pressure in the money-market?—I hope I may be supposed to speak conscientiously; so far as my knowledge goes, I am not aware that any were seriously injured; the pressure was of so short a duration that I should think very few were seriously injured; I do not think the pressure lasted more than three weeks.

3806. In the course of three weeks may not houses depending upon credit be most seriously injured?—I think in three weeks, comparatively speaking, the injury would not be very severe; and the best proof of it is, that during that period there were no failures.

3807. But were not a great number of houses so severely injured, that they were not afterwards able to meet the second blow that came upon them?—I am not aware that that was the case.

3808. Do you think that the city of London or the town of Liverpool concur with you in the opinion you have expressed upon that subject?—I cannot answer for their opinion.

3809. I suppose the Bank of England lost nothing by the maintenance of that restriction?—I do not think the Bank of England gained anything by the restriction; if the Bank had not been restricted, they might have issued a larger amount of notes, and consequently their profits would have been greater.

3810. That is to say, if they could have made larger advances at the same high rate of interest?—Probably the high rate of interest does not compensate for the limited amount of advances that the Bank made in consequence of the high rate.

3811. When your interest got to be 8 or 9 per cent., there must have been very considerable profits?—It was for very short periods, and, comparatively speaking, for small amounts.

3812. You said that you did not think that the pressure in October last was equal to the pressure in 1825?—I stated that I thought the results of the pressure in 1847 had not been so disastrous to the country as the results of the pressure which took place in 1825.

3813. You were not in the direction of the Bank in 1825?—No.

3814. Can you give any data to support your opinion?—The only data I can give are the prostration of a very large number of country banks in 1825, and the number of failures that took place throughout the country.

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3815. Are

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3815. Are you aware that the amount of the falling off in the cotton trade in the year 1847 was equal to the entire cotton trade of the country in 1825?—I was not aware of that; but the falling off of the manufactures in cotton in 1847 arose partly from the high price of the raw material, in consequence of the short crop.

3816. Was the price of cotton in 1847 at all equal to the price of cotton in 1825?—I do not recollect the comparative prices.

3817. If the price of cotton was higher in 1825 and 1826 than it was in 1847, you would not consider that there was much importance in that?—That may have arisen from circumstances independent of the pressure.

3818. Do you recollect any interest that was damaged in 1825 or 1826 to the same extent that the corn merchants were damaged in 1847?—The case of the corn merchants in 1847 was a peculiar one; they were speculating at a period when an early and abundant harvest caused a fall in the price from 120s. to 60s.

3819. I am not asking what the peculiarity of their position was; I am speaking now of the comparative disasters of 1825 and 1847, and I wish to repeat the question I before put, whether there was any interest in 1825 that was damaged to the same extent as the corn merchants in 1847?—I think the general banking interests throughout the country were damaged to a greater extent in 1825 than the corn speculators in 1847.

3820. You are speaking of the country bankers which stopped payment?—Yes, and the London bankers also.

3821. Altogether the bankers stopped payment for 4,000,000 l.?—I do not recollect the amount, but I think it was considerably beyond that.—(Mr. Prescott). Between 60 and 70 country banks stopped payment in 1825.

3822. What did they average?—(Mr. Morris). I do not recollect.

3823. First and last, what have they paid?—I do not recollect.

3824. To take the West India interest do you remember any second interest in 1825 that suffered equally with the West India interest in 1847?—I think, generally speaking, throughout the country the whole community suffered much more in 1825 than in 1847; in the agricultural districts the suffering was much greater in 1825 than it has been on the present occasion; the principal places where the suffering has been felt on this occasion are London, Lancaster and Newcastle; I am told that Yorkshire has escaped almost entirely, and also the agricultural districts.

3825. The agricultural interests have their monetary concerns managed not by the Bank of England, but by the country banks?—I do not think that is any reason why they have escaped.

3826. You do not think that their separation from the Bank of England has had anything to do with their escape?—No, they merely use the issues of the country banks, instead of Bank of England notes.

3827. Lancashire and London suffered more than other parts of the Kingdom in 1847?—Yes.

3828. And London and Lancashire are more under the special control of the Bank of England than any other parts of the kingdom?—Bank of England notes circulate to a greater amount in London and Lancashire than in other parts.

3829. And that is where the great suffering has taken place?—Yes, but not in consequence of the Bank of England notes.

3830. But it does happen that that singular coincidence has taken place, that where the Bank of England notes circulated most there was the most suffering?—It was in consequence of the large trading establishments of the country being in those particular districts; and the extraordinary speculations and over-trading took place naturally where the largest establishments were; and great distress, therefore, would take place there, whether the notes were country notes or Bank of England notes.

3831. But in those districts where the great distress and pressure existed, immediately the restrictions were taken off the Bank of England, the pressure was removed?—It was in those quarters that the restriction was most felt, because it was there that the greatest amount of trade was carried on, and naturally they would be the first to be relieved by the pressure being taken off.

3832. The relief was simultaneous with the annihilation of the principal provision in the Act of 1844?—The annihilation never took place, because the Act has never been infringed.

3833. There was such a poison in the breath of that Act, that the very fear of being

being blown upon by it blasted the whole trade of the country?—No, there was not such a poison in it.

3834. How, then, do you account for it, that so soon as the restriction was taken off there was immediate relief afforded to the country?—Because persons were unnecessarily alarmed, and they considered that it would afford them relief, when, in point of fact, there was sufficient relief to be derived from the amount of circulation which was out, without taking off the restriction.

3835. The whole trade and commerce of the country were mistaken in respect to the operation of the Act?—At that period people were in a state of panic, and I consider that panic is a state without reason; therefore it is impossible to say what it was that influenced people's opinions on that occasion.

3836. The very existence of the Act was enough to create a panic?—I think the existence of the Act ought to have been sufficient to allay the panic with persons reasoning properly.

3837. In your judgment, no person was able to reason properly except yourself and those who agreed in opinion with you?—I beg to say, that I have never thought whether other persons reasoned correctly or not.

3838. But you have stated that in your opinion, the effect of that Act with all persons capable of reasoning properly, ought to have been to remove the panic?—I have stated, and I do not mind repeating it, that I do not think that a person who fairly looked at the Act, would regard it as an Act creating panic; on the contrary, the effect of it ought to have been to have given confidence.

3839. The result of your own evidence, and the evidence of every person who has watched passing events, cannot be other than that very great panic did exist, and that no sooner were the restrictions of that Act removed, than the panic was allayed?—Yes; but I also stated that I was not prepared to say, that if the letter had not been issued the panic would not equally have subsided, perhaps not so soon, but in a very short period.

3840. You would not have very much objected to subjecting the country to a little more suffering, in order to maintain the inviolability of that Act?—I should be sorry to put the country to any suffering, but those sufferings which are necessary for the purpose of producing a beneficial effect to the country cannot be avoided.

3841. Do not you think benefits may be bought too dearly?—Not if they are benefits.

3842. You have told us that the injury to be apprehended from an earlier issue of the letter, was that the influx of gold might have been checked?—The tendency of relaxing too soon, would have been to check the importation of the precious metals which was then taking place.

3843. Do not you think that that risk was rather dearly bought at the cost of depreciating those properties of which we have got a return here to an amount of 114,000,000 £?—I think it could not be helped.

3844. And yet the moment the restriction was taken off the property again commenced being appreciated and being restored to its former value?—I have always guarded myself by stating that an appreciation of property might have taken place though the letter had not been issued; I stated that simultaneously with the issue of the letter the effect was produced, but in a short period the same effect might have taken place, even if the letter had not been issued.

3845. But the depreciation of property continued to go on till you became acquainted with the fact that the letter was to be issued, and the appreciation of property commenced simultaneously with the letter by which the restriction was removed?—I have stated that the issuing of the letter removed the panic.

3846. When I spoke of depreciation of stocks and fixed capital, are you not aware that all property invested in stocks and produce of every description was depreciated in the same way; that raw cotton was sent to the continent at the same depreciated price, that raw silk and unmanufactured wool were sent to the continent at the same depreciated price, and unmanufactured wool, and that sugar, coffee and tea were sacrificed as at forced sales?—I can only state that it was, in my opinion, inevitable that the country should make a considerable sacrifice for the purpose of meeting the efflux of bullion which had taken place in consequence of the large importation of food; it was impossible to go through such severe circumstances without the country being seriously affected by them.

3847. You stated that it was all on account of the 9,000,000 £ of gold that went out of the country for corn?—I stated that the sudden importation of a large amount of food, by which an amount of bullion, to the extent of 9,000,000 £,

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went out of the country, acting upon the previous high state of credit and speculation, had produced that effect.

3848. Do not you think it would have been better to trench upon the 8,000,000*l.* lying in the coffers of the Bank than to have endeavoured to get the gold back again at such a sacrifice?—No, I do not.

3849. On what day was the letter of the Government withdrawn?—I do not recollect the day.—(Mr. Prescott.) It was on Tuesday, the 23d of November.

3850. Was there any meeting of the Court of Directors on the Thursday before that, recommending a reduction of the rate of interest?—(Mr. Morris.) There was a meeting of the Court of Directors, at which some resolution was passed, the spirit of which was recommending the withdrawal of the letter.

3851. Was not the spirit of the resolution that the rate of interest should be reduced?—As far as my recollection goes, the spirit of the resolution was, whether the Government would not think that, under the circumstances, the letter might be withdrawn.

3852. Had not the resolution reference solely to that portion of the letter which imposed a rate of 8 per cent. on the country?—I do not recollect the resolution distinctly.—(Mr. Prescott.) It had reference to the rate of interest.

3853. And that resolution of the majority of the Court of Directors was not attended to by the Government; and I presume that the Bank did not consider themselves at liberty to reduce the rate of interest till it got the permission of the Government?—(Mr. Morris.) The Bank considered that they had no right to alter the rate of interest till the letter was withdrawn; so long as they were acting under the letter, they felt that they must charge 8 per cent. interest.

3854. Then the country was made unnecessarily to suffer the 8 per cent. interest from the Thursday to Tuesday, before the second letter was issued?—I am not aware that the country suffered much, because if the ordinary rate of interest out of doors was lower than the Bank rate, the public would not apply to the Bank.

3855. Was the rate of interest throughout the country raised upon the issue of the Government letter?—I think the rate of interest was raised previously to the issue of the Government letter, above 8 per cent.

3856. I am speaking of the rate of interest upon mortgages and bonds?—On mortgages the rate of interest could not exceed 5 per cent., on account of the Usury Laws.

3857. If the rate of interest was only 4 per cent., was it not very commonly raised to 5 per cent. in consequence of the notice that the Bank of England was authorized to raise the interest to 8 per cent.?—The rate of interest upon the mortgages that were then made was 5 per cent., but previously to the issuing of the Government letter, we were charging an average rate of $7\frac{1}{4}$ per cent. on the discount of bills.

3858. On receiving that letter, you raised the interest to 8 per cent.?—Yes.

3859. You said in your former evidence, that on the Friday or Saturday when the reserve had gone so low, if the London bankers had not been so forbearing as they were, but they had called in the advances in your hands, you would have had no difficulty in selling stock?—I stated that we might have sold Consols to the amount of 1,000,000*l.* in the course of the week.

3860. It appears in your evidence, that in the course of 13 days you did sell 300,000*l.* stock, and that there was a fall in Consols from those sales to the amount of $5\frac{1}{2}$ per cent.?—That is alluding to the period when we sold for the Royal Bank of Liverpool.

3861. You commenced selling at 84 $\frac{1}{2}$?—Yes; but they were sold in three days.

3862. But on three days, with intervals between them?—Yes.

3863. Do not you think that if the sale of 300,000*l.* sold at such distant periods, could have affected the funds so much, the sale of 1,000,000*l.* of stock by the Bank of England would have reduced the price of Consols a great deal more than you stated?—As regards the 300,000*l.* Consols which were sold at that period, it was not the effect of those sales that produced the fall, but other parties were selling largely, particularly the savings' banks; it was not only the sale of 300,000*l.* by the Bank, but the sale of a very considerable amount by other parties, which caused the fall.

3864. But if the bank broker had suddenly sold 1,000,000*l.* of Consols in a falling market, do not you think the panic would have spread, and that the fall in Consols would have been very great?—I can only state that I have spoken on the subject

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to the gentleman who is employed by the Bank on these occasions, and I told him what my evidence had been, and I asked him in the presence of Alderman Thompson, who is one of this Committee, this question: "Do you believe that, in the month of October, when there was the greatest pressure, we should have been able to have sold 1,000,000*l.* of Consols in the course of a week, to be paid for in the course of a week?" and his answer was, "I have no doubt about it."

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3865. You stated in your evidence that the pressure or panic arose partly from a great demand for bullion in payment of corn, amounting to 9,000,000*l.*, and partly from a great outlay of 40,000,000*l.* in railways; what distinction do you draw between an outlay of so many millions on railways and so many millions on cotton mills or copper mines to which the Bank seems very freely to have advanced its money, or lead mines, or iron mines?—In the one case, you lend out capital which is reproductive, and in the other you invest capital, a considerable portion of which is for a time unproductive.

3866. When you advance money to construct a cotton-mill, is it more immediately reproductive than if you advance money on railways?—Money advanced in the construction of a mill is unproductive till the mill comes into operation; if in one year 40,000,000*l.* had been expended in the construction of mills which were to come into operation at a period of three years, the effect would have been the same as an investment in railway works, which only become productive after a certain period.

3867. You draw a distinction between floating capital and fixed capital; you consider that all the investments in mines, and mills, and agriculture, and, I suppose, in ships and carriages, horses and carts, and steam-boats, and steam-engines, fall under the same category as investments in railways; or what distinction do you draw?—I draw a distinction between those investments which are immediately productive, and those which are not productive, for a certain period; in one year we have an amount of 40,000,000*l.*, which has been invested in railways, and which will not be reproductive for a certain period of years, and at the same time, we have had a very large importation of food; those circumstances, acting together, have disarranged the circulation of the country.

3868. Where do you draw the distinction between those investments which are immediately reproductive, and those which are not immediately reproductive?—Take a cotton mill in operation; the wages and the raw cotton are reproduced immediately; the manufacture which is produced is sold, and you get a return for your outlay, but the outlay in railways is buried in the earth till the period at which the traffic enables you to get a return for the money you have laid out; therefore, in the one case, you have laid out your capital in that from which you get an immediate return, and, in the other, you have laid out your capital, and you do not get so immediate a return?—(Mr. Prescott.) I do not understand the Governor to say, or if he says that, I do not agree with him, that it is desirable to discourage the formation of railways; but, as I understand him, he merely intends to point out that it was a misfortune that so large a sum should have been invested in that object at that particular period, and that it has assisted in causing the distress.—(Mr. Morris.) I do not object to money being laid out in railways; but I state that in consequence of an excessive amount having been laid out in railways in a short period, distress has arisen.

3869. When you speak of capital being immediately reproductive when the money is laid out in the wages of cotton-spinners, I apprehend that that money cannot be laid out in the wages of cotton spinners to any advantage, unless the mill has been previously constructed?—No, the mill must be constructed in the first instance.

3870. When you speak of money laid out in a cotton-mill being immediately reproductive, you are well aware that the return for money for cotton manufactures exported to Brazil does not come to this country for at least 18 months, I believe I am speaking within the mark when I say 18 months, from the period of exporting the articles, setting aside the period required for the manufacture?—Though the exportation may take place, and the return may not come home immediately, yet parties anticipate the return by means of drawing bills.

3871. When a railway is being constructed, the money laid out in the railway is circulated in the country, is it not?—The money still continues to circulate in the country; but that which the money has purchased is unproductive in the party who has paid for it; in the case of manufactures you not only have the money which is paid for the raw material and wages circulating, but you have, in addition,

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an article produced which is immediately convertible into money, or which may be exported; you have the money reproduced and the money circulating at the same time; in the other case you have the money circulating, but that which is purchased is not reproductive.

3872. In the case of a cotton-mill you must average the whole outlay of money laid out in the construction of the mill and steam-engine and the purchase of cotton and wages before you ascertain the return from the cotton goods after they are paid for?—I stated that if the same amount had been laid out in the construction of a manufactory or a cotton-mill, the result would have been nearly the same as if laid out in railways. In that particular year a very large amount of floating capital was diverted from those objects to which it had been previously appropriated, and, therefore, it caused a disturbance of the circulation of the country.

3873. You said that 9,000,000*l.* going out of the country caused distress; the money laid out in the construction of railways circulates in the country, and is consumed in the products of the country, and in that respect it differs from an outlay in cotton, which has to be paid for to foreign countries that produce the cotton; is there not that analogy between the case of the country paying for cotton purchased and paying for foreign corn purchased?—Certainly; but the importation of food which took place was in addition to the usual importation of cotton, and, therefore, it was an additional foreign payment to be made consequent on the bad harvest.

3874. If it be true, as you would have the Committee believe, that the investment in railways caused the high rate of interest and the pressure, how did it happen that the rate of interest so suddenly fell in October last, when the expenditure on railways still continued to go on?—In consequence of the general transactions of the country having very much diminished, the demand for money was limited.

3875. Then you think that in the course of one month the transactions of the country were so much diminished, that the railway expenditure could go on without affecting the rate of interest?—The transactions of the country had been diminishing for some time previously, therefore the amount of money which was paid for railways, did not affect the circulation of the country so much as it would otherwise have done; I have never meant to say that the investment in railways was the cause of the distress which took place; I have merely stated it as one of the causes.

3876. How do you account for money being, as you said, worthless in the city?—I think I must have used the words "comparatively worthless."

3877. How do you account for that when the transactions of railways are still going on to a large extent?—It is on account of the general transactions of the country being so largely reduced, and also on account of the large importation of the precious metals increasing the amount of circulation.

3878. So that a large importation of the precious metals can go on whatever amount of expenditure there may be on railways?—No; it is in consequence of the large importation of the precious metals affecting the circulation and making money comparatively easier, that you are enabled to meet the railway expenditure.

3879. But the railway expenditure cannot influence one way or the other the importation or the exportation of the precious metals?—Yes; the railway expenditure, by causing an increased consumption of foreign productions, does affect the importation of the precious metals.

3880. So far as the increased consumption of railway labourers goes in foreign food, you think that railway expenditure has the effect of causing an export of the precious metals?—It causes an increase in the amount of foreign payment to be made.

3881. Does it do so more than great prosperity in the collieries or in the iron-mines in the country?—Anything that tends to cause a rise in the price of labour affords the means of consuming foreign products, and causes foreign payments to be made.

3882. Are you of opinion, that a great impulse given to the collieries and iron mines or lead mines of the country, or even to the cotton factories of the country, would have that mischievous effect of causing an export of the precious metals?—It would have the same effect, except in as far as the manufacture produced may be used as an export in lieu of bullion.

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3883. The great desideratum would be to give all the labourers in this country low wages, and to keep the gold at home; is not that what it comes to?—There is no object in keeping the gold at home; the object is to have a sufficient amount to regulate the foreign exchanges, and to secure the convertibility of the note.

3884. What becomes, then, of your complaint, that railways, in causing an increased consumption of food, cause an injurious export of gold?—I stated that the increased consumption by railway labourers caused an importation of foreign articles which required an exportation in payment, but those importations are not injurious when we export the manufactures of this country in return; instead of their being injurious, they are beneficial.

3885. That is, if we have reciprocal free-trade?—We cannot receive the products of any country without making some payment in return: if we did not pay for them in one way or the other, they would be a free gift to the country?

3886. You stated that there was but one object in the Bank Charter Act, and that that was to render the Bank of England note convertible, and that object you thought you had gained; do not you think the author of the Bill is to be taken as some authority in respect to the intention of the Bill?—Certainly, of what his intentions were.

3887. Do not you recollect that Sir Robert Peel, in arguing in favour of the Bill said, "That the Bank could always maintain its credit, and could always cover its own notes, but by a tremendous sacrifice of the mercantile and other interests, which was what he wished to prevent?"—I do not recollect his saying that.

3888. But would you not say that the convertibility of the note, under the regulation of the Bank Charter Act, has, on this occasion, been maintained by a tremendous sacrifice of the mercantile and other interests?—I think that the sacrifices which have taken place in the country have not been in consequence of the Act of 1844, but have arisen out of circumstances independent of the Act.

3889. Mr. *Chancellor of the Exchequer*. Was not the first failure which took place in the autumn early in August?—Yes, the 6th of August.

3890. Were not the first failures which took place throughout August and the early part of September almost exclusively failures of houses in the corn trade?—Yes, they were.

3891. The first bill broker who failed was Mr. Sanderson, on the 10th of September?—Yes.

3892. Was not his failure to be attributed mainly to the amount of corn bills which he held?—Yes, it was.

3893. From that time for the space of 11 days, with the exception of Reid's house, no failures took place?—With the exception of Reid, Irvin & Company, no serious failure occurred according to the statement which I have before me.

3894. Was there not at that time great hope entertained that the failures might be confined to the corn-houses?—Yes, I believe there was.

3895. Was it not on Friday the 1st October that you found yourselves obliged to decline making further loans with the Government balances in your hands?—It was about that period.

3896. Was there up to that time any feeling that you could designate as alarm or panic prevailing?—I think the alarm commenced soon after the failure of Messrs. Sanderson.

3897. Do you remember whether up to that time any apprehension was entertained of the supposed stringency of the Act of 1844?—I think not.

3898. Did not the failures of Reid, Irvin & Co., Cockerells & Co., and Lyalls & Co., the great East India houses, all take place previously to the 1st of October?—Yes.

3899. Was there not considerable alarm expressed in the city in the course of the first week of October with regard to what might take place in the week when the dividends were payable?—Yes.

3900. The dividends became payable on the 13th of October?—Yes.

3901. And the major part of them were in course of payment on the three following days?—Yes.

3902. Had not the feeling of apprehension in the city of London very much subsided on the Saturday evening of that week in which the dividends were paid?—Yes, very much.

3903. Was it not on the subsequent Monday, the 18th, that the news of the failure of the Royal Bank of Liverpool arrived?—Yes, I believe it was.

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3904. In

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3904. In the course of that week intelligence was received daily from the country, giving rise to an apprehension of very large failures in different parts of the country?—Yes.

3905. The first country bank failed about that time, and the failures went on from the 18th?—Yes.

3906. Were not you and the Deputy-governor in daily communication with Lord John Russell and myself throughout the whole month of October?—Yes.

3907. We were in possession of all the intelligence which you received from the country through the managers of your branches, and from other sources?—Yes.

3908. Were not the accounts received on the Thursday morning of the week ending October 23d of a still more gloomy character than those which had been received in the earlier part of the week?—Yes, they were.

3909. The intelligence received on the Friday morning was of a similar character?—Yes.

3910. And on the Saturday still worse?—Yes.

3911. The run on the Newcastle bank was, I believe, on Friday, principally?—I believe it was on Friday and Saturday, but principally on Friday.

3912. Were not the measures taken by your agent at Newcastle for checking that run taken not only without your knowledge, but in contravention of your general orders?—Quite without our knowledge.

3913. I believe that you and one other of the directors of the Bank came up to me on Saturday morning?—Yes.

3914. And communicated to me the intelligence you had received from the country?—Yes.

3915. I believe that in the preceding few days we had represented to you how desirable we thought it was for the benefit of the country, that many of the great establishments of the country which were in difficulties, should be so far assisted by the Bank as to prevent their failing?—Yes.

3916. Was not the purport of the communication made to you on the Saturday morning that we thought it desirable that you should continue to afford assistance such as that which had been already given, to such establishments as applied to you for assistance, and that if on the close of business on Saturday you found your reserve reduced to a point beyond that which you might consider safe, the Government would be prepared on Monday morning to issue the letter which was subsequently issued?—I think that was the substance of the communication; I do not recollect the exact words.

3917. Had not you and the Deputy-governor an interview with Lord John Russell and myself on the Saturday evening at the close of business?—Yes, we had.

3918. And you then communicated to us what the result of the Bank operations of the day had been?—Yes.

3919. That showed a very considerable diminution of the reserve in the course of the day?—Yes, it did.

3920. The letter which you received from Lord John Russell and myself was sent to the Bank early on Monday morning?—It was.

3921. Had you received any communication from the Government previously to that which was made to you at the interview which you had with Lord John Russell and myself, after the close of business on the Saturday night, that any such letter would be positively issued?—My impression is, that the intimation was conveyed to us on the Saturday morning that the letter would be issued on the Monday.

3922. Whatever the operations of the Saturday were?—That is my impression.

3923. Mr. Hume.] You left the Treasury with that belief?—I left with the impression that the letter was to be issued on the Monday.

3924. Mr. Chancellor of the Exchequer.] Even if your reserve had increased on the Saturday night?—I do not think it had reference to the state of the reserve.

3925. What then is your recollection of the purport of the conversation on the Saturday morning?—My impression was, that we were to give every assistance that might be required, and that we might almost reckon upon the letter being issued on the Monday.

3926. Chairman.]

3926. *Chairman.*] You left with the impression that the letter would be issued on the Monday?—We did.

3927. *Sir James Graham.*] And did you act throughout the day upon that impression?—We did; my evidence has already been given to that effect.

3928. *Mr. Chancellor of the Exchequer.*] Could you make any announcement as to the course that you would take on the Monday till after the sitting of the Court on the Monday?—No.

*James Morris, Esq.
and
H. J. Francis, Esq.
21 March 1848.*

Martii, 26^a die Martii, 1848.

MEMBERS PRESENT:

Mr. Chancellor of the Exchequer.
Sir Robert Peel.
Mr. Spencer.
Mr. Disraeli.
Mr. Cardwell.
Mr. Henry Drummond.
Mr. Goulburn.
Lord George Bessington.
Sir James Graham.

Mr. Beckett.
Mr. Thornely.
Mr. Glyn.
Mr. Cayley.
Mr. Hudson.
Sir William Clay.
Mr. T. Baring.
Mr. Alderman Thompson.
Mr. Wilson.

THE RIGHT HON. F. T. BARING, IN THE CHAIR.

William Cotton, Esq., Examined.

3929. *Chairman.*] HOW long have you been in the Direction of the Bank of England?—Since April, 1822.

3930. You were Governor of the Bank at the time of the passing of the Act of 1844?—I was; I had then been Governor of the Bank 2½ years.

3931. How long were you Governor and Deputy-governor altogether?—I was one year Deputy-governor, and three years Governor of the Bank.

3932. You were, I apprehend, in communication with the Government at the time when the arrangement was under consideration, and when the Bill was passed?—I was.

3933. What were the objects which you considered the Bill of 1844 contemplated?—The Bill of 1844 was intended to accomplish the security of the circulation, and to prevent any discredit of the paper circulation of the country.

3934. Do you consider that so far as regards the convertibility of the note, the Act of 1844 has entirely accomplished its object?—I consider that it has entirely accomplished its object.

3935. It has been stated to the Committee in the course of the evidence, that a danger might have arisen to the security of the Bank and the convertibility of the note, should the banking department of the Bank have suspended payment?—I can hardly tell what the effect would have been of the Bank of England banking department stopping payment; it would have created great discredit, but whether it would have destroyed confidence in the convertibility of the note I am not so sure, if at the time there was abundance of gold in the issue department of the Bank to meet any ordinary demand that might be made upon it.

3936. Supposing at the time when the panic was at its height the banking department had got into difficulties, and had been unable to meet its demands, do you think in that case there would not have been a run upon the Bank for gold, notwithstanding the large amount of gold in the issue department, and would there not have been a risk from the panic of the Bank being unable to pay its notes in gold?—In the first place I think that with the large amount of securities which the Bank, as a bank of deposit, had at its command, there was no probability of its stopping payment; it might have inconvenienced parties by not giving them the accommodation they expected, but I can hardly contemplate the case of the Bank, with the amount of its convertible securities, and deposits which might be relied on, actually stopping payment.

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3937. You

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3937. You believe that if not impossible it would have been highly improbable that the banking department should have stopped payment?—I do not think it was possible for the banking department to have stopped payment.

3938. Do you think that in a time of difficulty the Bank could have easily converted its securities into notes?—At some sacrifice it might have done so, and it would have been the duty of the Bank, as it would have been the duty of any other banker, to have submitted to that sacrifice rather than stop payment.

3939. Do you believe that independently of the sacrifice which the Bank must have made, the circumstance of the Bank coming into the market with a large amount of securities to dispose of, would have produced a general effect in the country, and have increased the panic and alarm, and the difficulty of obtaining money?—It might have increased the panic and alarm, but it would have been to the advantage of the monied interests in the country to give their support to the Bank of England, and therefore I should have been under no alarm of the Bank stopping payment.

3940. At the time of the difficulties of 1847 you were in London, and in communication with the Governor and the Deputy-governor?—I was.

3941. Did you feel any alarm at that time of the Bank suspending its operations?—I did not feel the slightest alarm; I was quite satisfied that the Bank, as a bank of deposit, was able to maintain its position. I was of opinion that it could not give all the accommodation which was expected.

3942. Supposing the Act of 1844 had not been suspended, and the letter of the Government had not been issued, what course should you have been prepared to have recommended, would you have curtailed the discounts, or what other measures would you have pursued?—I would have given all the support I could to the trading community, even at a considerable sacrifice on the securities which we held; the Bank, as a bank of deposit, could only give that assistance the amount of its deposits and the amount of its capital would afford.

3943. With reference to the securities which the Bank hold, I believe latterly there has been some alteration in their regulation as to the nature of the securities that they hold. I believe that they now hold stock and different securities, and that in the old time they only held Exchequer Bills; what is your opinion upon that change?—My opinion is favourable to it. I think the Bank should hold a variety of securities, particularly that description of security which will always command a price in the market, which I believe Government stock will always do. I am favourable to the Bank holding a considerable amount of stock.

3944. You would consider that that as a security they should hold stock in preference to Exchequer Bills?—I think they should hold a portion of both, but that the best security is stock.

3945. The nature of the Exchequer Bill market has changed, has it not?—The Exchequer Bill market, in my time, has been greatly changed; there were formerly in the Exchequer Bill market many jobbers who had a large command of capital; in the Exchequer Bill market, for several years, they have been limited in point of capital, and, therefore, it has been difficult to realise any large amount of Exchequer Bills when carried into the stock market.

3946. You therefore are of opinion that this alteration, with reference to the securities which the Bank hold, is an alteration which is better for the Bank and better for the public?—I think it is.

3947. With reference to that part of the Act of 1844, which limited the issues of private banks, as far as your experience goes, how far do you think that that has worked beneficially for the public?—I think it has worked very beneficially for the public; it has given greater security to existing banks, and it has given greater security to the currency of the country.

3948. Have you seen any reason to suppose that that limitation has been injurious to the transactions of the country?—On the contrary, I believe that it has been very beneficial to the transactions of the country, and many bankers that I have conversed with have expressed the same opinion.

3949. Have you ever heard complaints that it limited the accommodation which bankers in the country might fairly be called upon to give?—I have heard complaints, that it has limited accommodation, but I do not think it has limited the accommodation which could be fairly given. The banker who gave accommodation by issuing additional notes instead of from legitimate sources, though he might give temporary relief, ultimately did mischief to the general transactions of the country.

3950: What

3950. What do you think would have been the effect, supposing, since 1844, the limitation with regard to the issues of private banks had not been in operation?—If the limitation of the issues of banks had not been in operation from the period of 1844, and considering the variety of transactions that were going on in the country, I believe we should have had the country full of a paper instead of a metallic circulation.

3951. You believe that the country banks would have been tempted to issue their notes largely during the years 1844 and 1845?—I have no doubt that the country banks in that time of prosperity would have been induced to issue very largely, and that a vast number of banks of issue would have been established, thus substituting paper for a metallic circulation. I form my opinion from what occurred, I think, in the year 1836, when, if I mistake not, 60 additional joint-stock banks of issue were formed in one year.

3952. Had you any expectation that the Act of 1844 would mitigate these commercial crises?—I had such an expectation, and I have no hesitation in saying, that I think the Act of 1844 has materially mitigated the commercial crisis, and that if it had not been for the Act of 1844 limiting the amount of issues of notes on securities, the commercial crises to which you allude would have been infinitely more severe.

3953. There have been three different pressures, one which is called the railway pressure, another in April 1847, and the third in October 1847. Will you have the goodness to state how you think in the railway pressure in February 1846 the Act of 1844 acted?—February, 1846, was a period of railway pressure; a report was industriously circulated, I do not mean from any improper motives, that the 10,000,000 £, which was to be paid into the Bank on account of railway deposits, would be so much abstracted from the circulation of the country. I had no apprehension that this would be the case, because I knew, as upon former occasions, that the money paid in as deposits to the Bank would be lent out upon securities.

3954. Was there not a general pressure at that time?—For a short time there was.

3955. How long did it last?—I am not prepared to say, but it was very short.

3956. Were you Governor of the Bank at that time?—No; I ceased to be Governor in April 1845.

3957. But you were on the treasury committee, and were cognizant of the facts?—I was.

3958. If the limit of the Act of 1844 had not been in operation, would that pressure have existed?—If the Bank had acted upon sound principles, independently of the Act of 1844, the pressure would have existed, for I think it would have been mischievous to issue notes merely for the purpose of meeting that pressure in February 1846. I think it would not have been acting upon sound principles of currency to have issued paper merely on account of the alarm which was created from the payment into the Bank of 10,000,000 £.

3959. Independently of the violation of principle, what practical inconvenience would have arisen from the Bank, supposing there had been no limit, issuing paper during that very short time when the pressure took place, and withdrawing the circulation afterwards?—The difficulty, I think, would have been in withdrawing the circulation afterwards; if additional notes had been issued upon every pressure, it might have affected the exchanges, and have led to an export of gold.

3960. My question was confined entirely to the pressure of February 1846; during the very short time that there was a difficulty in consequence of the railways?—I wish to apply my answer to that; the breaking down of the principle of issuing only a fixed amount upon securities, although immediately it might not have produced any evil effects, in its ultimate result would have been mischievous.

3961. Your difficulty is one of principle rather than any practical inconvenience that would have arisen from it?—I do not apprehend that any immediate practical inconvenience would have arisen from it, but the inconvenience ultimately would have been serious.

3962. The inconvenience would have been serious ultimately, as affecting the principle?—As affecting the principle regulating the circulation of the country.

3963. Will you now proceed to the difficulties of April 1847; and will you state, whether you think that the Act of 1844 contributed to mitigate the crisis at that time?—I do not think the Act of 1844 contributed to mitigate the crisis,

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for whenever there is a commercial panic, and there is a want of capital or money, it is a mitigation of the inconvenience to supply them with all that they demand; but then I consider that the supply of that demand would have been ultimately injurious to the country.

3964. But the point which I was anxious to obtain your opinion upon, was this. There was an impression that the Act of 1844, by compelling the Bank to take earlier and more gradual steps relating to the circulation, would have mitigated those crises, and that they would not be so severe as they had been under the former system?—Contemplating all that has occurred within the last few years, and supposing the Bank had retained unlimited power of issues, the crisis would, in my opinion, have been more severe; and that really solvent and substantial houses, banking houses and others, would have suffered more than they did in April 1847.

3965. Do you think that the Act of 1844 compelled the Bank, or induced the Bank, to take earlier steps than it would have taken if there had been no such Act in operation?—I have no doubt that it did.

3966. Were those steps, in your opinion, more gradually taken than they would have been if the Act had not been in operation?—I think they were.

3967. Do you think that, about April 1847, the steps taken were very gradual?—I am rather alluding to what took place previously to April 1847; my impression, with reference to April 1847, is, that the steps taken to replace the Bank in a sound position might possibly have been more gradual.

3968. Do you think that it would have been wiser if the Bank had taken earlier steps in the autumn of 1846?—I think it might; but in the autumn of 1846 it was difficult to form an opinion what would be the position of the Bank in April 1847.

3969. Was there not a very bad harvest in 1846?—There was the prospect of a bad harvest, but still we did not know, or at least an opinion had not been generally formed as to the extent of the deficiency.

3970. In the autumn of 1846, was not the state of the harvest and of the potato crop sufficiently known for the Bank to be quite aware that there would be a considerable importation of corn and food in the spring of 1847?—It was late in the year 1846 that we became acquainted with the real deficiency of the harvest and the failure of the potato crop.

3971. At what time in 1846?—I believe about the latter end of October or the beginning of November.

3972. At the end of October, you were aware of what was likely to happen with reference to the quantity of corn in the country?—We were aware that there would be a deficiency in the crop, but to what extent there was much difference of opinion.

3973. Did you take any steps in consequence?—I do not think we took the early steps that we might have done at that period; but, it should be remembered, that we had then a large amount of treasure in the Bank, and that there was no indication of the exchanges being against us.

3974. Can you state the reason which induced the majority of the Directors of the Bank not to raise the rate of interest as early as you think it would have been advisable to raise it?—I cannot tell the reasons that the majority of the Directors of the Bank acted upon.

3975. But the pressure of April 1847 came suddenly, did it not?—It came very suddenly; arrangements had been made for reducing the amount of our securities; but just previous to the payment of the dividends, there was a large demand for the exportation of the precious metals to America, and a great increase in the amount of the discounts.

3976. You have been in the Bank Direction for many years; comparing the pressure of April 1847 with the pressures of 1837 and 1839, should you say that it came less suddenly or more suddenly than the pressures of those two years?—I think not more suddenly in April 1847.

3977. Can you compare the strength of that pressure in April 1847 with the pressures of 1837 and 1839?—I think the pressure in 1837 and 1839 acted more severely upon solvent houses, than the pressure in April 1847.

3978. Now we will go to October; the pressure in October came on more slowly, did it not?—It did.

3979. Do you think that the Act of 1844, contributed to mitigate the pressure of October?—I think the pressure in October, if the Act had not existed, would have been very much worse than it really was, inasmuch as there would have been a currency

a currency discredit as well as a commercial discredit, and instead of the Bank having 8,000,000*l.* of treasure in its vaults, in all probability it would not have had more than 4,000,000*l.* or 5,000,000*l.*

3980. If the Act had not been in operation in October, do you think the Bank would have been in a difficulty, and not able to pay its notes in gold?—If the Act had not been in operation, my opinion is, that we should have been compelled to press more severely upon the commercial public than the commercial public were pressed upon, in order to preserve the convertibility of our notes.

3981. But would you have had the difficulty to preserve the convertibility of the note that you had in 1825?—We should have had more difficulty than we had even in 1825, if it had not been for the Act of 1844.

3982. Has the Act of 1844 worked in all respects as you expected it to work?—It is very difficult for me to say what my expectations were; my hope was, that those who were engaged in business would have understood clearly, and I took every opportunity of telling them so, that if they extended their credit beyond reasonable bounds, the Bank could not, under the operation of the Act of 1844, take upon itself the responsibility of supplying them with capital, or with money to get them out of their difficulties.

3983. Do you think that part of the difficulties of 1847 arose from an over extension of credit?—The difficulties of 1847, to a very great extent, arose from the very great extension of commercial credit, and from the failure of several houses up to that period considered houses of wealth and substance.

3984. When you say that, you do not throw out of consideration the difficulty arising from the failure of the potato crop and the harvest?—I consider the difficulties of October 1847 to have arisen from the very large importation of food, and the necessity of paying for it; the failure of large houses, and the entire prostration of commercial credit; and also the very large amount of capital which had formerly been employed in trade, being at that period invested, or called for investment, in railways.

3985. With regard to the Act of 1844, has it entirely worked according to your expectations, looking to the amount of notes in the hands of the public?—The amount of notes issued was in exact proportion to the amount of gold received into the bank of issue; as to the amount in the hands of the public, that depended upon circumstances of which it was impossible to form any estimate.

3986. On 1st August 1846, I see that the amount of notes held by the public was 20,495,000*l.*, and the total amount of bullion was 15,803,000*l.*?—Yes.

3987. On the 10th of April 1847, there were 20,403,000*l.* of notes in the hands of the public, and the bullion was 9,807,000*l.*?—Yes.

3988. In that case there had been a slight reduction in the notes in the hands of the public, but a very large decrease of bullion?—The 10th of April 1847 was immediately after the payment of the dividends.

3989. Will you then take the 3d of April, which is before the payment of the dividends, and compare that with the 1st of August 1846, or take any other period?—October and April would give the fairest comparisons; on the 3d of October 1846, there was 20,551,000*l.* of notes, and the bullion was 15,817,000*l.*; on the 3d of April 1847, the notes in the hands of the public were 18,355,000*l.*, and the bullion was 10,246,000*l.*

3990. Did you, when the Act was first passed, expect that the circulation in the hands of the public would have so little reference to the amount of bullion?—I did not expect that there would be any great increase of notes in the hands of the public; when there was a large amount of bullion and a large amount of issues, I supposed that there would be a larger amount of notes unemployed in the Bank of England banking department to meet any demands upon it.

3991. Then your expectation was, just as it turned out, that the notes in the hands of the public would have remained with very little variation?—I expected that there would be more variation, but not to the extent of the increase of bullion, because the notes in the hands of the public are those which are required for the common transactions of life, and do not increase immediately upon the increase of bullion.

3992. Before the Act was passed, you had actually kept the accounts of the Bank as if the Act had been in operation?—During the time I was in the chair, an account was kept, to test, as far as we could, the principle of the operation.

3993. You were then aware of the operation of the Act, even before the Act was passed?—I believe, as far as calculation went, I was; in point of fact, it was working the principle of the Act before the Act was passed.

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3994. And you were prepared to find that the amount of notes in the hands of the public would vary very little under the operation of the exchanges?—I think I was; but it was not a subject which attracted my particular attention.

3995. At any rate it has not surprised you?—It did not create in me that surprise which others have expressed.

3996. It is perfectly consistent with what you expected from the working of the Act?—I have great difficulty in saying exactly what I expected.

3997. I will put it in another way; it is consistent with what you considered ought to have been the operation of the Act?—I think the notes in the hands of the public are not likely to vary materially to be increased by the influx of gold; the circulation under the control and command of the public increases in proportion to the increase of the gold; but the notes actually out of the Bank's hands, and in the hands of the public for the ordinary operations of trade, I do not think would increase in proportion to the increase of gold.

3998. Do you consider then that the circulation really is that which is represented by the issue returns?—I do.

3999. And that includes the notes of which the public has the command, as you express yourself?—Yes.

4000. But the public have not got these notes?—They may have them if they wish it; their placing them in deposit in the Bank, is no more than placing them in deposit in the hands of any other banker.

4001. Were you one of those who were of opinion that the deposits in the hands of the Bank were circulation before the Act of 1844 was passed?—I was; the deposits remaining in the hands of other bankers were always considered circulation, I considered that if the issue department was kept separate from the banking department, the notes in the banking department were part of the circulation.

4002. I need not ask you whether you have ever referred to the Evidence before the Committee in 1841 and 1842?—In the Evidence before the Committee of 1841 and 1842, the notes out of the Bank of England were always considered as the circulation.

4003. I refer to the point, whether your deposits were considered circulation or not?—I have not said that the deposits are circulation; I say that it is only those deposits in the Bank of England which have not been employed, which should be added on to the amount of circulation with the public; the deposits are not circulation; there may be a larger amount of deposits, and yet no increase in the circulation.

4004. You were of opinion, I apprehend, that this circulation, composed of notes and coin, should vary as a metallic circulation would vary?—I consider that it should vary as a metallic circulation would vary, and that it has varied as a metallic circulation would vary.

4005. And you think that that has been effected by the Act?—I think it has.

4006. With that principle, before the Act of 1844 passed, and before you had had experience in seeing the working of the Act in the private accounts which you kept as a director; supposing that you found that there had been a large drain of gold to the amount of 5,000,000 *l.*, and that during that time there had been little or no variation in the circulation as represented under the old returns, should you have been satisfied?—I do not exactly understand the question.

4007. Under the old returns you had the bullion representing the bullion in both departments, and the circulation with the notes in the hands of the public, plus the Bank post bills, which we will lose sight of for the present; if previous to the passing of the Bill you had found that there had been a very great drain of gold, say 7,000,000 *l.*, with very little variation of the notes in the hands of the public, would you have thought that right?—I should have conceived that there would have been some abatement of the notes in the hands of the public, but a much larger abatement of the notes in the deposits of the Bank, the action of the export of gold acting upon the deposits in the Bank, and the demand which the public have on the circulation.

4008. You would have expected to have found a diminution of notes in the hands of the public, the circulation, as it was then called; not a proportionate diminution, but some diminution?—Exactly.

4009. And you would have been dissatisfied if that had not appeared?—I should have been dissatisfied if that had not appeared in some degree. Under former circumstances, as the gold went out, the paper circulation generally increased, and tended to drive out the gold.

4010. That

4010. That was one of the reasons why you were in favour of this alteration?—
It was.

4011. Looking to the returns, are you quite satisfied that with the variation of gold there has been so small a variation in the notes in the hands of the public?—
I do not think it creates in my mind material dissatisfaction, though I should have expected that it would have produced more effect.

4012. Is there not a fault somewhere?—I doubt very much whether there is a fault anywhere, because I include in the circulation the unemployed deposits in the hands of the Bank.

4013. You include that now, but before the Act and before the two departments existed, you would not have included that at all in the circulation?—
Not before the Act; nor before the principle had been considered and tested.

4014. We never thought that the reserve was circulation at that time?—Before the separation of the functions of issues from banking were considered, we understood very little of the principles upon which the circulation of the country should increase with an increase of gold, or diminish with a diminution of gold.

4015. Are you then quite satisfied with the management of the Bank; you admit that the Act has done what it was intended to do; if, therefore, the amount of notes in the hands of the public is too large or too small, it must arise from the banking operations under the principle of the Act?—Yes.

4016. You say that you would have expected the variation to be greater; are you satisfied with the conduct of the Bank under those circumstances?—I may have formed an opinion of what ought to have been the proceedings of the Bank.

4017. I do not wish to ask you to throw blame upon the other directors of the Bank, but should you not have expected to find a greater difference in the amount of notes in the hands of the public?—I do not attach so much importance to the amount of notes in the hands of the public as some parties do, but if we had had the benefit of the experience we now have, I think we might have taken earlier precautions with respect to the state of our banking operations.

4018. You have had great experience of the Bank, and you have little or no commercial interest in business; is not that so?—It is so.

4019. Does the constitution of the Bank give you satisfaction?—I have always thought the constitution of the Bank bad, inasmuch as gentlemen were required, in rotation, to take the chair; I consider it extremely desirable that we should elect into the Bank Direction men experienced in the ordinary operations of commerce; if they are conversant with the ordinary operations of commerce, they must be interested in commerce; at the same time there is a great advantage in having some men in the direction who are not personally interested in the operations of commerce.

4020. Who are acquainted with commerce, but who have not an actual interest in commerce?—Exactly.

4021. From your experience of the Bank, do you not believe that the directors have been governed by the principle of doing that which they considered best for the good of the country, without reference to their private interests?—I believe that they have been always actuated by that feeling; I believe they have acted on the most honourable and independent principles.

4022. I think there has been an alteration lately in the mode in which the Governor is to be selected?—There has; every gentleman in rotation was formerly expected to take the chair; it has been now determined by the court to abandon that system, and to make a selection of those directors whom it considers best qualified, and recommend them to the proprietors for election.

4023. Do you think that that improvement will place the constitution of the Bank on a footing which will satisfy you?—I cannot tell that it will perfectly satisfy me till it has been tried, but I think it will greatly improve the constitution of the Bank.

4024. Would you suggest any other improvement in the constitution of the Bank?—A selection of the parties to be recommended to the proprietors to be elected Governor and Deputy-governor will also tend to a great improvement in the election of directors, inasmuch as it will not be necessary to recommend gentlemen for election as directors, with the view of their succeeding to the chair some 20 or 30 years hence.

4025. Have you ever considered the subject of having a permanent Governor?—It has been mentioned, and I have of course turned the subject in my mind.

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4026. Is it your opinion that that would be a change which would be advantageous?—It might secure a more permanent system of management, and give a greater consistency to the proceedings, but on the whole I think it would not work well; either the whole management of the Bank would be left to the Governor, or if he had not the unbounded confidence of the directors, he would be placed in a very awkward situation, being Governor of the Bank with rather a difficult court to manage.

4027. Have you ever considered the proposition of introducing into the direction either one or two directors holding permanent appointments, and selected by the Government?—I have heard such a proposition, and I do not think it would work well; it would very much deteriorate from the high position of the directors of the Bank of England to have a person attending the court to report their proceedings; there would be an apprehension that he was something like a spy upon them, and there would also be a fear that he might give his own impressions rather than real facts, with reference to the proceedings of the court.

4028. But the Governor and Deputy-governor would still be in communication with the Government, and consequently they would represent the Bank in their communications with the Chancellor of the Exchequer?—Presuming that, I still think there would be an awkwardness in having two other individuals in the court also as a medium of communication.

4029. Though the Governor and Deputy-governor communicate the decisions of the Bank and communicate with the Chancellor of the Exchequer, he does not consider himself precluded from consulting other parties either in the direction or out of the direction?—I do not know that there is any reason why he should not consult other parties either in the direction or out of the direction, but I do think that there would be a serious objection in any other parties than the Governor or Deputy-governor communicating to the Government the opinion of the court as a court; the directors of the Bank of England may communicate their own opinion, and I have always maintained the right to do so, but I could not communicate the opinion of the court.

4030. Practically, do you not believe that, for instance, Mr. Hersley Palmer, and allow me to say yourself, have been called upon by the Chancellor of the Exchequer for your opinions, under difficult circumstances, and on questions upon which he wished to take your advice?—I have in those cases given my own opinion, and not the opinion of the court, and I contend that I am at perfect liberty to do so.

4031. It sometimes happens that there is a difference of opinion between the different members of the treasury committee?—No doubt there is.

4032. If the Government in the Governor and Deputy-governor, they cannot receive the opinions of other parties?—I am of opinion that the Government have a perfect right to communicate with any member of the court, but any individual member of the court should only express his own opinion, and not the opinion of the court.

4033. Do you not think that it would be of advantage that the person at the head of the finance, who has frequently to adopt important measures in consequence of information he receives, should have some person at the Bank who might give him information as circumstances happen?—I think he would not have much more advantage from the information obtained from those individuals than he has now from the information obtained from the Governor and Deputy-governor, and any other member of the court that he thinks it expedient to consult.

4034. Are there not many things done by the Bank, which afterwards, when they come before the Government, the Government is obliged to act upon, and upon which a decision has been come to without the Chancellor of the Exchequer having been at all aware of what was going on?—That might be the case, even if the representative of the Government was in the court, unless notice was given of every proceeding.

4035. Returning back to the Act of 1844, it has been very much pressed upon the Committee, that it would be expedient to give power by the Act itself to relax in case of difficulties, and to issue upon securities beyond the amount of 14,000,000 £; what is your opinion upon that point?—My opinion is, that such a power of relaxation would be destructive of the principle of the Act.

4036. You are entirely against giving that power by law?—I am.

4037. Are you entirely against exercising that power without law?—I am not, when an extreme case arises.

4038. Do

4038. Do you think that in October last it was an extreme case?—My impression is, that it was not an extreme case, and that the panic of October would have passed over; but I do not presume to think that I am so well acquainted with the extremity of the case as those who had the administration of the affairs of the country.

4039. As far as your opinion goes, do you think that the letter which the Government issued might have been dispensed with?—If it had rested entirely upon my own responsibility, I should have dispensed with that letter; but I am at the same time free to confess that I was not sufficiently informed as to all the circumstances of the country to form a correct opinion; and I have confidence that those who determined upon the issuing of that letter had superior information to that which I possessed.

4040. The letter having been issued, you now have the experience of the effects of that issue?—I had no doubt of the effect of the issue of that letter.

4041. What was the effect of the issue of the letter?—The effect of the issue of the letter was to diminish the panic; persons who knew that they could have any amount of notes they liked, did not demand them, and that was a proof that there was no real want of circulation, except that arising from the panic and a want of confidence.

4042. It has been represented to us, that the effect of the issuing of the letter was instantaneous?—It was so, and I was satisfied that it would be so.

4043. Has any evil arisen from the issue of the letter?—The only evil, I conceive, is, that parties may depend upon the issue of a similar letter in future, and which, very possibly, could not be issued with perfect security to the convertibility of the Bank of England note.

4044. Supposing the issue of that letter had not taken place, though you have expressed an opinion that things would have come round ultimately, do you not think that there would have been a continuance of alarm and panic, and the failure of more houses?—I doubt very much whether there would have been the failure of substantial houses or solvent houses; I think that there would have been a considerable degree of inconvenience to the public in the ordinary operations of trade.

4045. Even supposing that there would have been no actual failures, do you not believe that there would have been great commercial losses if that letter had not been issued?—I do not think there would have been any great commercial losses.

4046. Do you believe that the state in which the country was previous to the issuing of that letter could have continued without great commercial difficulties and calamities?—I do not think it would; if that state had continued, it could not have continued without great commercial difficulties; the question in my mind is, whether it would have continued.

4047. You said that you thought, though it would not have ceased immediately, it would have come round; how long do you contemplate it would have been before it would have come round?—I can form no opinion; for it would have greatly depended upon the influx of gold into the country, as the real cure for the demand for notes; and it would also have depended upon the subsiding of an extraordinary alarm in the minds of parties more from an imaginary than any real want of circulation.

4048. You admit that it could not have continued long without great calamity?—Certainly it could not.

4049. And you cannot say how soon it would have ceased?—I am not competent to do so; but the experience of the railway panic, in February 1846, showed me that there might be great excitement and alarm, which would very soon subside; and in April 1847, the alarm was very great; individuals said that the whole trade of Liverpool would be ruined, unless the Act was altered; but in a short time that alarm subsided.

4050. Did not the railway alarm cease in consequence of the Bank issuing always within the limit of the Act, but still issuing the notes as they were brought in, so far as they could?—Yes, but the alarm was created by the belief that the money paid in on account of railways would not be re-issued, which was an alarm formed upon false data.

4051. When the public found that there was no difficulty in getting notes, the alarm ceased?—Yes.

4052. You were cognizant of the transactions of the Bank in April; did not the Bank latterly meet the alarm by being as liberal as it fairly could be?—I

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think the alarm in April arose from the impression that the Bank would refuse all discounts; when the Bank was applied to this was found not to be the case; my impression is, with regard to the alarm in April, that observations were made with reference to the operation of the Act, and that apprehensions were excited by those observations which were in themselves unfounded.

4053. Practically, did not the Bank, perhaps in consequence of its own views, or perhaps in consequence of communications from other quarters, or the opinion expressed in the House of Commons, take what was called a liberal view of matters?—As deposits came in, the Bank lent those deposits out; as their banking reserve increased, they were able to be more liberal, and to discount more freely.

4054. You think it was a mere matter of business, and not with a view at all of getting rid of the alarm, that they became more liberal in their discounts?—I do not think it was with a view of getting rid of the alarm; I think it was from the improved position of the Bank that they were able to be more liberal.

4055. In the case of a panic, do you think that a contraction of the circulation is any cure for it?—I think it is, inasmuch as it increases the value of money, and induces people who have hoarded money to part with it.

4056. Do you think, even in the case of an internal panic, the proper mode of cure is a contraction of the circulation?—The proper mode of cure is a contraction of the circulation; whether it is worth while to submit to the remedy is another question; I can easily conceive that there may be monetary crises when it is necessary for the Government to interfere, and to do as was done in October.

4057. You contemplate, as I understand you, that under the operation of the Act, circumstances may arise which will call for the interference of Government?—I did contemplate it, and I believe that I shall not be guilty of a breach of confidence if I state that the subject was discussed very fully with the First Lord of the Treasury and the Chancellor of the Exchequer, during the consideration of the provisions of the Bill, and when the subject was again pressed on him Sir Robert Peel expressed his opinion to me in these terms, "My confidence is unshaken, that we are taking all the precautions which legislation can prudently take against the recurrence of a monetary crisis; it may occur in spite of our precautions, and if it does, and if it be necessary to assume a grave responsibility for the purpose of meeting it, I dare say men will be found willing to assume such a responsibility."

4058. It was contemplated that circumstances might occur which would render it necessary to suspend the limit of the Act of 1844; can you state what were the sorts of events that you had then in contemplation?—I should say events similar in effect to the events of 1825, when there was entire discredit of all the country bank circulation, and a panic which brought down not merely an immense number of bankers, but others who were men of undoubted property.

4059. In the panic in 1835, there was a great failure of private banks that issued notes?—There was a great failure of private banks that issued notes, and also a great failure of many private banks that did not issue notes, and several of the substantial banks in London were compelled to suspend their payments.

4060. In the case of the failure of banks that issued notes, all their notes became waste paper, and did not that produce great discredit of the issues of all private banks?—Not merely a discredit of the issues of all private banks, but there was a run upon the banks of deposits as well as the banks of issue.

4061. But confining it merely to the notes in circulation; a large mass of notes in circulation had become either waste paper, or discredited?—Yes.

4062. In that case, even supposing there had been no other panic, it would have been necessary to have found some circulation to have replaced those notes.—No doubt that was a monetary crisis similar to what, in my judgment, might occur again; it was an entire discredit of a large portion of the existing circulation of the country.

4063. There was nothing of that kind in the last crisis?—Nothing.

4064. The panic of 1847 was merely a panic arising from commercial difficulty?—The panic arose from commercial difficulties; it was a panic not arising from discredit of the circulation, but from a want of available capital to enable parties to meet their engagements.

4065. The effect of that panic was not as it was in 1825, when people were too glad to get rid of their notes, because they were bad, but people clung to their notes, and kept them in their possession because they were afraid of not being able to get notes?—Precisely; it was a fear very dissimilar in operation to that of 1825; in 1825, it was an alarm with respect to the responsibility of the Bank; but in

1847

1847 it was a commercial panic, and persons clung to their notes, fearing that they might not be able to get them again if they parted with them.

4066. Do you ever remember in 1837 or 1839, or any other year, a commercial crisis which was not accompanied by what is called hoarding?—I do not think there was any hoarding of notes in 1825; there was a run for gold which reduced that in the Bank to a very small amount.

4067. In 1837 and 1839 there was hoarding, was there not?—There was hoarding to a certain extent.

4068. Has it not been the effect when there has been a commercial discredit, that parties lay by their available means?—No doubt everybody takes care of himself.

4069. Can you contemplate any commercial difficulty that will not have that effect?—I do not know that I can; I think the effect of a commercial difficulty will be to create hoarding in a smaller or a greater degree.

4070. It may be a question of degree, but will it not always take place in any commercial difficulty, that there will be this hoarding, and *pro tanto*, that would be a claim for a relaxation of the Act?—I think that might be a claim for a relaxation of the Act, and the Act should be relaxed in times when its operation would cause very serious inconvenience.

4071. It is, therefore, a question of degree, not of principle, when the relaxation should take place?—The motive for a departure from the sound principle in question is the degree of inconvenience that will result from adhering to it.

4072. The difficulty of October 1847 was a commercial difficulty in an extreme degree?—It was a commercial difficulty in a very great degree; whether it was in an extreme degree, I cannot take upon myself to say.

4073. If the relaxation be left to the discretion of the Government, it will be a question whether the Government, in exercising its discretion, conceives that the circumstances have amounted to such a pressure that it is necessary to give way?—The Government of the country may determine from the circumstances, whether the relaxation is or is not necessary.

4074. Are you of opinion, that that discretion is best left with the Government?—I am decidedly of that opinion.

4075. You prefer its being left to the Government, rather than to the Bank?—I do.

4076. Will you state the reason for that preference?—Because I think the Government will not incur so grave a responsibility as relaxing the law, except in an extreme case. With regard to the Bank, there may be an inducement to relax, under the idea that the pressure is temporary, and not extreme.

4077. In regard to the Government, are there not political reasons which may affect the decision of the Government, which may not affect the Bank?—If it was to be a relaxation under ordinary circumstances, it might be better to leave it to the Bank than to the Government; but as I conceive that the relaxation would be only under very extraordinary circumstances, I think it is better to leave it in the hands of the Government, without any legislative enactment. The power of relaxation on the part of the Bank must be in conformity with some legislative enactment. Any legislative enactment, authorizing an expansion of the issue upon securities, would be mischievous, inasmuch as it would be more difficult to resist the applications; but when the Government is called upon to exercise an authority beyond the law, it must be a strong case that would induce any Government to do so.

4078. But if it is left to discretion, whether it is a strong or a weak case, depends upon the decision of the Government?—Certainly.

4079. And that which may be a strong case in the opinion of one Government, may be a very weak case in the opinion of another Government?—There is no doubt that different persons might regard it in different points of view.

4080. But speaking of the Government practically, do you not think that there may be, in the case of the discretion being left to the Government, political reasons which may weigh with them, independently of any reasons which have reference to the circulation of the country?—If the question is whether the Government should be legally authorized to expand the circulation, I should be very jealous of confiding that power to the Government; but I think no Government would allow any ordinary political pressure to induce them to act in relaxing an existing law.

4081. Supposing there were a power by law to relax; where would you place that power?—I would rather place that power in certain individuals of the Government than in any other hands.

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4082. Even if it were a power given by law?—Even if it were a power given by law.

4083. Mr. Cayley.] Are you in business?—I have a manufactory which I have been very anxious to let for many years; that is all the business that I am engaged in.

4084. You are not much engaged in the commercial world?—Scarcely at all; I have been largely engaged, but I am not at present.

4085. You stated, that the pressure in April subsided of itself; were there not some deputations from Liverpool to the Government, which rather tended to more liberal accommodation being given by the Bank to Liverpool houses before the pressure had passed away?—There were several deputations from Liverpool, and they were referred to the Bank of England; I met one of those deputations, and they made out, I thought, a very bad case for a relaxation of the law.

4086. Do you recollect any of those Liverpool deputations coming to the Bank, and being refused accommodation?—I do not recollect the circumstances; I do not recollect what accommodation they required; they spoke of very large sums of money being necessary for the payment of their engagements: but when we went into an investigation of it, it appeared to us to amount to little.

4087. Do you remember those deputations going subsequently to the Government to obtain their interest, with the view to larger accommodation being given?—I believe they did go to the Government, but I have no positive knowledge of it.

4088. You do not know that, subsequently to their going to the Government, more liberal accommodation was afforded to those houses?—I believe more liberal accommodation was afforded, because the state of the Bank enabled it to be more liberal; there was an impression that we were about to refuse all discounts, when there was no such intention on the part of the Bank.

4089. Did not the Bank refuse to make advances on Exchequer bills in the month of April?—I believe it did.

4090. Was not that a circumstance likely to excite some alarm in the mercantile mind?—It was after the dividends were paid; we are not much in the habit of making advances immediately after the dividends are paid; the advances are generally made before the dividends, that the money may come in when the dividends are paid; there was a refusal to advance money upon Exchequer bills, in consequence of the Bank not having a large unemployed balance at their command, and parties were referred to the market.

4091. You have stated to the Committee the origin of the pressure in April?—I have mentioned to the Committee the origin of the pressure in April, that just previous to the payment of the dividends, a very large amount of bills came in for discount, particularly at Liverpool, to enable parties to export gold to America, and the re-payments of the advances which were made in anticipation of the dividends did not come in so rapidly as they should have done.

4092. Do you remember, in consequence of the division of the two departments, its being conspicuous to the public, that the reserve of the Bank was very low at the time the Chancellor of the Exchequer required deficiency bills?—I think they were very small; the amount was 2,375,000 *l.* of which 1,120,000 *l.* were paid off on the 14th April.

4093. If with the very low reserve then in the Bank, the public saw the Bank going to the Stock Exchange to borrow, in order to meet the deficiency bills, would you not think that a cause likely to produce alarm in the public mind?—I do not think that it ought to produce greater alarm than the circumstances of any other banker parting with his securities, in order to meet any demands, upon him.

4094. In an incipient state of pressure, when the public might naturally expect accommodation from the Bank, would it relieve the state of alarm at the time, if the Bank itself should be found to be wanting assistance?—I do not conceive that the Bank wants assistance when it parts with certain securities, in order to take other securities.

4095. You do not remember whether the circumstance of the Bank borrowing at that period created considerable alarm in the mercantile mind?—I am not aware that the circumstance of the Bank borrowing in the market did produce any alarm; but I think that the small amount of reserve that the Bank had, did produce an apprehension that the public would not receive the accommodation which they expected.

4096. What

4096. What do you say produced the panic in October?—The panic in October was, I think, produced, first of all, by the failures in the corn trade; afterwards, the failure of great houses in the India trades, and the failures of several other parties, and from the consequent general commercial discredit; it was increased very much by the failure of the Royal Bank of Liverpool, which occurred in October.

4097. Would the failure of the corn merchants have necessarily produced discredit of solvent houses if it had been unaccompanied by any other circumstances?—The failure of houses, which are supposed to be solvent, always creates a certain degree of discredit upon other houses.

4098. Would you say that it was not a sufficient cause of the panic when the pressure began if, with an export of bullion, the mercantile world had an idea that the Bank was under the imperative necessity, under the Act of 1844, of mechanically, without any reference to circumstances, reducing the notes to a point below what the wants of the commercial public really required?—I do not think it ought to have produced the panic, because the diminution of notes was regulated by the exportation of the precious metals. The loss of one or two millions of the circulation of the country was a very small per-centage on the whole circulation.

4099. You have stated, that in your opinion, if there were a power of relaxation given, you would rather that that power was in the hands of Government than of the Bank; but, supposing the directors of the Bank, not like yourself, to have views contrary to relaxation; and that the pressure was to be as great as it was in October, and even beyond that, to be still greater, in what state would the country be, under those circumstances, if the relaxation were not granted by the Government?—My opinion is, that with the amount of circulation which the country really had at the time, it would not have been under the extraordinary circumstances many persons apprehended. The pressure only applied to particular districts; the whole country was not affected by the pressure of October 1847.

4100. If the pressure were sufficient, in your mind, to create the necessity for a relaxation, and the head of the Government happened to have an opinion contrary to the relaxation, would you not say that the country would in those circumstances be in a state of great danger?—I do not think it would be in a state of great danger; it might be in a state of inconvenience.

4101. Do you think that inconvenience was all the evil under which the country suffered in October 1847?—Serious inconvenience, I admit, was suffered, but no solvent houses were compelled to suspend their payments in consequence of the pressure of 1847.

4102. Would you say that solvent houses did not sustain great losses?—I speak of those which suspended their payments; I have no means of saying what losses solvent houses sustained.

4103. Have you any doubt that solvent houses did sustain very great losses in April and October 1847?—I have some doubts whether they did sustain very great losses; they sustained losses from the failure of other houses, and they sustained very serious inconvenience, from having bills upon houses which suspended payment; but I am not satisfied that the solvent houses sustained any very serious losses, though I have no means of judging.

4104. Would you not say that the Bank was better acquainted generally with the commercial wants of the country than the Government?—I do not think that the question with regard to the power of relaxation, is a question bearing upon the commercial wants of the country; the question bearing upon the commercial wants of the country is the amount of available capital, but the question of relaxation refers to the amount of circulation; I draw a great distinction between capital and circulation.

4105. Is not a great portion of the trade of the country carried on upon credit?—It is, but credit does not increase capital; credit is only the employment of other people's capital, in carrying on business.

4106. In what way would you say that credit does not increase capital?—I will put a case which will explain my meaning: if a manufacturer exports his goods, and gives the person to whom he exports them a certain time in which to pay for them,—that is the employment of the capital of the manufacturer, for the accommodation of the party to whom they are exported; if he draws a bill, and then he renews that bill, and that bill is discounted, it is the capital of the discounteer which is employed in that transaction, and therefore I have always con-

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sidered that credit does not at all increase capital; it is only the employment of one man's capital, enabling another to carry on a much larger business than his own capital could enable him to do.

4107. Would you not say that capital lent by one man to another tends to produce an increase in real capital; for instance, take the case of improvements in agriculture?—It is a transfer of capital from one party to another, but it does not increase the capital.

4108. To take the case of credit given by Scotch banks to Scotch farmers, are you not aware that that credit has been one means of the great improvements which have taken place in the agriculture in Scotland?—That arises from the deposits that the Scotch banker has, and he lends out his deposits to the farmer; therefore, it is the deposits which tend to improve agriculture.

4109. The result of that loan, if lent to an industrious man, is to enable him to produce an increase of the real capital borrowed?—But it is the deposits of the Bank which tend to that production; every encouragement of industry tends to increase the capital of the country; but credit given by one person to another is not an increase of capital.

4110. Did not the Committee understand you to say, that the mercantile transactions of the country are carried on very largely by means of credit?—They are; and, I think, where they are carried on by an unreasonable expansion of credit, they ultimately bring ruin on those who are engaged in them.

4111. Would you say that there had been too much credit floating in the commercial world in the last few years?—A good deal too much; I think the system of drawing bills upon exporting houses, and renewing them repeatedly, has been an expansion of credit which has tended to serious inconvenience, and has driven persons of real capital out of business.

4112. To what extent would you check those operations of credit?—I do not know that it is practicable to check them, inasmuch as people may extend their business imprudently if they please.

4113. In consequence of the division of the Bank into two departments by the Act of 1844, the issue department managing itself, did not the Bank feel themselves less responsible for the circulation than they did before?—The Bank have nothing to do with the circulation; the circulation regulates itself.

4114. Did not that change enable them to lower their rate of interest, and follow the market rate?—I do not know that that enabled them to do it; they were equally able to do so under the old system.

4115. Did they ever, under the old system, reduce their minimum rate of discount below 4 per cent.?—They never did.

4116. Immediately after the passing of the Act, they lowered the rate to 2½ per cent.?—I do not think that had anything to do with the Act.

4117. The Act passed in August, and am I not correct in saying that the alteration in the rate of discount took place in September 1844?—The resolution with regard to the rate of discount took place on the 29th of August 1844, which was immediately before the Act came into operation.

4118. It was after the Act passed?—Yes; the Act had passed, but it was not in operation.

4119. Did not that lowering of the rate of interest very much tend to cheapen the value of money?—I do not think it did; during the time I was Governor, I lent money at 1½ per cent. previous to the dividends being paid.

4120. You did not discount at that rate?—No.

4121. Has not the rate of interest prescribed by the Bank a very material influence on the rate of interest generally throughout the country?—I do not think it had any material effect in reducing the rate of interest, for bills were discounted by others at the time the Bank altered their rate of discount at a lower rate than the Bank fixed as their minimum rate of discount.

4122. Sir William Clay.] The Bank followed, it did not lead?—It followed.

4123. Mr. Cayley.] Would you say that although the value of money was cheaper than 2½ per cent. before you instituted that limit, the circumstance of the Bank prescribing a minimum rate of 2½ per cent. had not the effect of materially confirming the low value of money in the country?—On the contrary; the rate of interest in Lombard-street rose up to our rate of interest. We fixed the rate of interest at 2½ per cent.; the rate of interest at that time with bill-brokers was 2 per cent., and in a short time it rose up to our rate of interest.

4124. Do you remember whether during the time of that rise your discounts had

had increased at all?—I think they had; our discounts from the 31st of August increased, not very rapidly, but gradually.

4125. Will you state what they were on the 31st of August, and three months afterwards?—On the 31st of August 1844 the amount of discounts was 2,141,000 *l.*, on the 30th of November they were 3,503,000 *l.*, and on the 28th of December they were 3,029,000 *l.*

4126. What were they in March 1845?—On the 29th of March 1845 they were 3,044,000 *l.*

4127. So that the increase was not very material?—No, but there was a little increase.

4128. If you had never lowered the minimum rate of interest below 4 per cent. do you believe that the speculations in railways would have been so rife as they became?—I think the speculations in railways were much more influenced by the rate of money in the money market than they were by the action of the Bank. The action of the Bank on the rate of interest may induce parties to go into other speculations, but if the rate of interest charged by the Bank was above the rate of interest charged by other parties, it could have no effect.

4129. Did it not affect the value of money in London?—No, it did not; for after we fixed our rate at 2½ per cent. the value of money increased instead of diminished.

4130. Whatever may have been the cause, the result has been that after the Act of 1844, we had two years of very cheap money, succeeded by a year of very dear money?—It is so; during the two years of cheap money we had between 15,000,000*l.* and 16,000,000*l.* of hulkion in the issue department of the Bank; when the hulkion in the issue department decreased money became dearer, as I think it ought to have done.

4131. There is a considerable amount of hulkion at the present moment in the Bank?—There is.

4132. Will you state why the same cause should not produce the same results now as it produced in those two years?—Money for short periods is very cheap in the money market now.

4133. For the discount of three months' bills, what is the rate?—Our minimum rate of discount is 4 per cent.; we have not reduced it below that; but the rate of discount in the money market is much lower than that; the amount allowed at present by bill-brokers for money at call is 3 per cent.

4134. Will you state what the amount of your discounts now is?—Last Saturday the discounts were 4,780,000, and 3,270,000 the advances.

4135. Is the Committee to understand that since the Act of 1844 came into operation, we had a species of panic in the money market in February 1846; that we had another pressure, amounting to a temporary panic, in April 1847, and that we had another panic in October 1847?—Yes.

4136. Would you say that that was a satisfactory operation of any system?—I do not think that that arose from the system; I think it arose from a misunderstanding of the system.

4137. But the removal of the stringent part of the system produced a removal of the panic?—No doubt it did; when people knew that they could have money *ad libitum*, it removed their apprehensions.

4138. There can be no doubt that the effect of the relaxation of the Act was to produce immediate relief?—No doubt; if people could get money *ad libitum*, they would not hoard it.

4139. Is it your opinion that it is a satisfactory state of things, under any system of currency, that the mercantile world should be without the means of bartering commodities; are you aware that during the panic in October 1847, there was a sort of scramble for the legal tender, and that the largest mercantile houses, at any sacrifice of property, being determined to lay hold of the legal tender; a great part of the mercantile community found it practically impossible to get hold of the legal tender, though there was nominally the usual amount in the country?—I think that there was no difficulty in getting possession of the legal tender, if parties had sufficient security to offer, they might have been compelled to pay a large rate of interest; there was a difficulty in selling produce, owing to the fall of price that had taken place, and the large amount that was forced upon the market.

4140. Is it the fact that when the Bank was itself applied to for accommodation by certain parties, it was obliged to lend Consols instead of notes?—It was considered more desirable to lend Consols than notes; when the Bank is asked to lend,

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they may with great propriety sell securities, for the purpose of investing in other securities.

4141. You do not draw any distinction in that respect between the Bank of England and any other banker?—I do not; I think the Bank of England should be conducted upon the same principle as any other bank is conducted.

4142. Are you not aware that it was almost impossible to get advances upon Exchequer bills in October?—I believe that for a short period there was a difficulty in getting advances upon Exchequer bills, but I believe at some rate they could have been disposed of in the market.

4143. At what rate of discount?—I think they were as low as 30s. discount.

4144. Would it be fair to describe the state of things at that time, as one of the witnesses has described it here, that Exchequer bills were hardly more valuable than the dirt under your feet?—No.

4145. That is for the purpose of raising money?—I think there was a difficulty in raising money upon them.

4146. Do you think that it is satisfactory in a country which is called a commercial country, the prosperity of which depends upon the means of passing commodities from hand to hand, that there should be at any period such a state of things as that there is not legal tender sufficient to pass them from hand to hand, and that it is impossible to realize the legal tender without a great sacrifice of property?—There was an abundance of legal tender, but the difficulty was in getting it; there was no deficiency in the circulation.

4147. In consequence of the panic arising out of the known mechanical operations of the Act of 1844 in reducing the Bank circulation as gold flowed out, there became a practical impossibility for a very large portion of the mercantile community to obtain the legal tender?—I am not aware that there was practically that impossibility; with reference to Exchequer bills, there was a difficulty of obtaining money upon them; the Exchequer bill market was very limited, but I am not aware of any other insurmountable difficulties. Some houses which were in difficulties applied to the Bank for assistance, and if they produced good security, the Bank was ready to assist them. One large house in the corn trade, when in difficulties, if they had been able to give security, the Bank would have made advances to it.

4148. The Governor of the Bank stated to us, that extraordinary accommodation was afforded to the public during the year 1847; was that extraordinary accommodation afforded to the mercantile public entirely at the voluntary discretion of the Bank, or was it ever instigated by Government?—It was entirely at the voluntary discretion of the Bank, anxious to do all that it could do to relieve commercial difficulties and commercial pressure. There was but one feeling upon the subject, of giving all possible relief to the commercial classes.

4149. Was it not desirable to afford relief to the commercial public, even in violation of the principle of the Act of 1844?—I think not.

4150. Do you not think that the Bank went further than they would have done, during the year 1847, if they had not acted upon the advice of Government?—I am not aware that we did act on the advice of Government till just at the period when it was known that the Government sanction was about to be granted to an increase of the issues.

4151. If we may judge from the public prints, there was a good deal of communication between the Government and the Bank during the year 1847?—There was constant communication between the Government and the Bank, as there has been always.

4152. There is usually more communication with the Government when there is a state of pressure?—Yes, always; it is the duty of the Bank to communicate with the Government, and to inform them of the state of the commercial world.

4153. Did not the Government instigate a more liberal accommodation to the public?—They did not instigate a more liberal accommodation than the Bank was disposed to give.

4154. You do not go so far as to say, that the Government did not state that it would be safer to the public that more accommodation should be afforded them?—I did not hear the Government intimate that to the Bank; but there was one universal feeling in the Court to give all the accommodation that they could.

4155. Is it not the intention of the system of which this Act is a part, whenever there is a considerable export of gold, to produce great depression in the mercantile

mercantile community?—I do not think the operation of the Act has a tendency to produce great depression; previous to the Act, when an export of bullion has taken place to a large extent, we have been obliged to exercise very severe measures in order to preserve the convertibility of the note; we were under no such apprehension in 1847; and as far as the deposits or capital of the Bank rendered us capable of affording assistance, we were much more able to do so than we should have been if we had been under an apprehension of not being able to pay our notes.

4156. In 1825 the panic was put an end to, by a more liberal accommodation on the part of the Bank?—Yes, but the Bank of England very nearly stopped payment; the amount of coin in the Bank of England was reduced so low, that we were under the apprehension, from hour to hour, that we should not be able to pay the demands upon us.

4157. Do you think a less liberal accommodation would have saved the Bank?—I do not know that it would.

4158. But the increased power to issue having rescued the mercantile world from the effect of the panic; did that throw any discredit upon the convertibility of the note?—It produced a run upon the Bank for gold, and enabled the public to demand gold from us.

4159. Had not the exchanges turned against us at the end of 1824 or the beginning of 1825?—Without reference to the returns, I cannot state the time.

4160. Do you remember the speech of Lord Liverpool, in which he stated that the exchanges had turned against us, and that it was necessary for the Bank to draw in their circulation to the extent of 3,500,000*l.* in the course of the year 1825, commencing at the early part of that year?—I do not.

4161. Would not that restriction on the part of the Bank and diminution of the circulation, rather tend to create the circumstances which produced the panic?—There is no doubt that the excessive issues, not merely of the Bank of England, but of the country banks previous to 1825, and the necessity which the Bank found themselves under to reduce the amount of their issues, caused a heavy pressure upon the public, which might have led to the difficulties that occurred in 1825.

4162. Would you say that the run upon the deposits or the run upon the notes of country bankers was the greater?—I am not competent to answer that question; my impression is, that the discredit of the notes was a more serious matter at that time than the demand for deposits.

4163. Do you remember whether the danger to the Bank of England was greater from the run upon the deposits than from the run upon the notes?—I cannot answer that question satisfactorily to myself.

4164. You have heard the notes of the country bankers who suspended payments in 1825 called here waste paper; do you remember ever having seen an estimate of the average of the number of shillings in the pound that were paid by the country bankers who failed in 1825?—I do not recollect it.

4165. Did you ever hear of any estimate of between 15*s.* and 18*s.* in the pound having been paid on the average by the country bankers who then failed?—My impression is, that the country bankers showed a great deal more strength and substance than was at the time of their stoppage supposed.

4166. You have stated that the difference between last year and 1825 was, that there was no run upon the country banks?—Yes, for payment of their notes.

4167. Are you aware that, since 1825, with the view of correcting the evils of 1825, the joint-stock bank system has been established?—I am aware that the joint-stock bank system has been established, but I am aware that a great many of those joint-stock banks have failed.

4168. Are you aware that, in consequence of the establishment of this joint-stock bank system, a great portion of the public are shareholders in those joint-stock banks?—I am aware that they are.

4169. Have they not a strong interest not to create a discredit of joint-stock bank paper?—I think they have; but when parties have joint-stock bank paper their great anxiety may be to get possession of gold, without considering their interests as proprietors.

4170. Do you think that the great number of proprietors of joint-stock banks

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who have an interest not to make a run has prevented a run upon banks?—I think the discontinuance of the 1*l*. notes has operated more than the establishment of joint-stock banks to prevent a run on banks, because the parties who held 1*l*. notes were more subject to alarm than those who held notes of a higher denomination.

4171. Would you state that the losses sustained by the working population under the 1*l*. note system was a reason for their abolition?—I am afraid I am hardly competent to go into that question; I think the discontinuance of 1*l*. notes was a great improvement in the circulation of the country.

4172. Does that discontinuance increase the amount of gold in the Bank under an adverse exchange?—Very much so, inasmuch as the ordinary circulation of the country is gold instead of being 1*l*. notes; the gold circulation is about 40,000,000*l*. or 50,000,000*l*., and the gold in circulation through the country is a strong support in case of an adverse exchange.

4173. Do you not think that if in the coffers of the Bank there were 30,000,000*l*. of gold, instead of 15,000,000*l*., it would be much stronger to resist the effect upon the mercantile community of an adverse exchange?—I do not know how we could get 30,000,000*l*. in the coffers of the Bank, unless we parted with securities for gold.

4174. Could they not issue 1*l*. notes to purchase gold?—I think there would be no advantage in that; the Bank would have incurred loss to the amount of the cost and the management of the notes.

4175. Are you not aware that it has been stated by a high authority that an adverse exchange is very often only temporary?—It is very often only temporary; but it is difficult to determine, at the period of an adverse exchange, whether it will be temporary or whether it is the commencement of a continuous drain.

4176. The tendency of things in a country like this is, for the adverse exchange to be naturally corrected?—Yes; but a drain frequently continues for a much longer period than any person could have contemplated.

4177. If the drain of gold arising from an adverse exchange be temporary, would it not be a beneficial thing to save the country from those losses which now occur during the compulsory rectification?—I do not think it is possible to determine whether a drain is a temporary drain or not; it is impossible to foresee what effect future circumstances may produce upon the exchanges.

4178. You have stated, that you think the panic in October would have ceased, and that there might have been no occasion, under those circumstances, for the Government letter; upon what ground would you continue the suffering of the commercial community under a panic, such as that which existed in October 1847?—Only on this ground, that I think it is better to suffer a present inconvenience, than to damage the general circulation of the country; if the circulation of the country had been purely a metallic circulation, the country must have submitted to the inconvenience which would have resulted from people hoarding gold.

4179. Will you describe why it is necessary in a mercantile community which depends for its commercial operations upon credit, to measure the amount of the currency always by the amount of the precious metals?—Because, I think, that if that is not done, there is a great danger of the currency not being convertible into gold, and that you will have a much severer pressure at particular times, than you will have, by maintaining a sound currency, based upon a metallic value.

4180. Do you think that it was to secure the greater convertibility of the note, that the Act of 1844 was passed?—I think that one of the great objects of the Act of 1844, was to secure the convertibility of the note.

4181. Was it also intended to prevent the great commercial pressures that had existed in 1839, 1837 and 1825?—I think it was expected (and in my opinion it has produced the effect), that pressures which have arisen from the apprehension of the note not being convertible, would be diminished.

4182. Did you ever know greater consternation in the public mind, or a greater fall in the price of stocks, than occurred in 1847?—The fall in the price of stocks I cannot speak to; but I think the consternation in London in 1825, was infinitely greater than the difficulties which were experienced in 1847.

4183. Were the difficulties in 1825 as long, indeed, as in 1847?—They lasted for a very long period; I think longer than in 1847.

4184. Did

4184. Did the panic last as long?—I think it did; there was a great pressure upon every banker in London.

4185. Would you not draw a line of distinction between the time of panic in 1825, and the long series of years during which commerce did not materially revive, after 1825?—I hardly recollect how soon commerce revived in 1825.

4186. Would you say that the principal promoter of the Act of 1844, in Parliament, was a competent judge of the intention of the Act?—I think he was.

4187. How then do you reconcile your opinion with the following passage: this is the language of Sir Robert Peel on June 13, 1844. "The honourable gentleman who had spoken last, had said that the Bank of England was always able to protect itself, and to prevent its notes from being discredited; he knew it was; he knew that when the paroxysm was at its height, and it became the duty of the Bank to make great efforts, it could by means of great sacrifices, save itself, and ensure continued convertibility. The Bank could always maintain its credit, it could always cover its own notes, but by a tremendous sacrifice of the mercantile and other interests; that was what he wished to prevent." Would you say that the opinion you have given as to the intention of the Act of 1844, coincides with the opinion that was expressed by Sir Robert Peel?—It does; and I believe it has accomplished that object, and that we have not been under the necessity of pressing upon the commercial world in order to maintain the convertibility of the note; but during former periods, when there was a doubt of the convertibility of the note, we pressed upon the public in order to secure the convertibility of the note.

4188. Would you say, that, even without having your note discredited, you have been obliged, under this Act, to resort to such stringent measures that the public have suffered as much as they would have suffered if your note had been endangered?—I do not think the public have suffered so much as they must have suffered if the convertibility of the note had been endangered.

4189. Not being in business yourself, you have not experienced the effect of the pressure?—I have not individually experienced it, but I have been alive to the inconvenience which other persons have experienced.

4190. You have stated that there is a disposition to board under a mercantile pressure, but supposing the mercantile community were impressed with the feeling that the notes with the public could not be lower than 20,000,000*l.*, do you think that there would be the same scramble for the legal tender as existed in October 1847, and that the same panic would exist?—I am not competent to answer that question, for I can form no idea of what the feeling of the commercial public would be under those circumstances.

4191. You are aware that there is at all times a great amount of commercial paper floating in this country, and that that commercial paper operates to a large extent in large transactions as currency, and that in times of ordinary credit that commercial paper is not, except when it has gone through a number of hands, required to be turned into the legal tender; would you not say, with that amount of commercial paper circulating in the country, that an apprehension that there would be an absolute dearth of the legal tender would be in itself a sufficient cause of panic?—I cannot understand what apprehension there can be of a dearth of the legal tender, when the legal tender in this country was upwards of 80,000,000*l.* or 90,000,000*l.*

4192. By the legal tender, I mean Bank of England notes?—They are not the only legal tender; but I should say that the public ought to be satisfied with knowing that the Bank do not exercise an arbitrary power of making a contraction of the notes, the amount being fixed upon definite and sound principles.

4193. If the export of bullion had gone on, would not the operation of the Act of 1844 have been, without any discretion on the part of the Bank, to reduce the issues altogether, both those in the reserve and those with the public to 14,000,000*l.*?—Unless the Bank was entirely cleared out of all the bullion in its possession, the issues would not have been reduced to 14,000,000*l.*

4194. Without being cleared out of the bullion, might there not have been a necessity on the part of the Bank, to reduce the 3,000,000*l.* upon securities?—The Bank might have been compelled to do so in order to protect the convertibility

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tibility of the note; they have done so at one period; they were compelled, in order to secure the convertibility of the note, to reduce the amount of their issues to between 15,000,000 *l.* and 16,000,000 *l.*

4195. At that period the Bank had a discretion of its own?—Yes; and it acted very strongly in order to secure the convertibility of the note.

4196. If the commercial public saw that in consequence of the drain of million the Bank of England circulation might be reduced to 14,000,000 *l.*, or a little above it, do not you think that would be a reasonable cause of apprehension?—If anybody entertained that apprehension, I think they would be entertaining a very unreasonable apprehension, and that there was no ground for it.

4197. I thought you said that you could never tell to what extent an adverse exchange would go?—No; but with upwards of 8,000,000 *l.* in our own coffers, to apprehend that all that was to go very rapidly would be very unreasonable.

4198. Had not the previous 8,000,000 *l.* gone very rapidly?—Yes, they had gone for payment of corn, but that had terminated; there was no export of million in October.

4199. If we had had another bad harvest what would have been the effect?—I cannot tell what the effect might have been.

4200. If the Bank circulation had been reduced to 14,000,000 *l.*, how much do you think would have remained with the public, exclusive of that in existence in the tills of the banks?—I cannot form any opinion.

4201. How much is required for the tills of the Bank of England?—In the calculation in regard to the arrangements in the Bank Charter, 3,000,000 *l.* was stated as necessary for the banking department of the Bank.

4202. In the London establishment and the branches?—Yes.

4203. How much is required by the branches?—I cannot exactly say; the whole cancellation of our notes every day is about 700,000 *l.*

4204. Including the branches?—Yes.

4205. The Governor stated that 700,000 *l.* was required by the branches?—I think the Governor over-stated it.

4206. Would you say that the Bank would be in a very safe condition, with a reserve of 1,100,000 *l.* in its London till?—I should be sorry to see it so low; I do not believe it is possible that a diminution could, by a contraction of currency, take place to a great extent, without such an increased value of money in England as to produce an effect upon the exchanges.

4207. In 1839 your circulation was reduced to about 15,000,000 *l.*?—At one time it was under 14,000,000 *l.* exclusive of Bank post bills and old notes, but there was a larger amount of country circulation than at present.

4208. Would you say that the Bank was in a favourable position without at least 4,000,000 *l.* as its reserve?—I think that the reserve should never be so low as 3,000,000 *l.*

4209. Would you say that 5,000,000 *l.* was a proper reserve?—The amount of reserve should depend upon the amount of deposits and the character of the deposits; if the deposits were reduced to 8,000,000 *l.*, I should say that 2,000,000 *l.* in reserve was ample to meet any demand upon the Bank. If the deposits amounted to 15,000,000 *l.*, I should say a larger amount than 5,000,000 *l.* should be held in reserve.

4210. Supposing 5,000,000 *l.* to be a fair average reserve, how much would you say that the London bankers and country bankers require of Bank of England notes for their till?—I do not believe that the country bankers keep many Bank of England notes in their tills, inasmuch as they can hold gold with the same economy as notes.

4211. Do not those banks which circulate your notes obtain those notes at an easier rate than they can get gold?—No; because if they have our notes they can obtain gold for them without any charge.

4212. What amount would you give to London bankers and country bankers for their tills?—I have no means of judging.

4213. Would you say that 5,000,000 *l.* was an extravagant amount?—I have no means of judging.

4214. Supposing

4214. Supposing it to be equal to the amount required on the average for the Bank of England reserve, if the Bank circulation was reduced to 14,000,000 £, there would be left 4,000,000 £ for the active purposes of the circulation of the country?—I have no means of judging, and I should be sorry to give an opinion.

4215. When there were many millions of mercantile paper floating in the country, all legally but not usually convertible into bank notes, and an apprehension existed that the circulation of the Bank of England might be reduced to 4,000,000 £ practically with the public, do you think that that would be a reasonable ground of alarm in the mercantile mind?—The apprehension is so perfectly unreasonable, that I think very few persons entertain it; it could never be brought down to so low a point, without producing, before it came down to that point, an action upon the exchanges, which would bring in gold.

4216. The operation of such a restriction would be to produce great difficulty and disemployment in the country, and forced sales which would produce a fall of prices, and attract foreign buyers to our markets of manufacture?—I believe before the circulation of the Bank of England was reduced to 14,000,000 £, money would become so valuable in this country, that it would flow in from all parts of the world, the value of our commodities would be reduced, and merchants would export those commodities and bring back the precious metals; I cannot conceive such a state of things as is supposed in the question to exist.

4217. When the circulation fell to 15,000,000 £, in 1839, at a time whilst the Bank had a discretionary power, was there not reason on the part of the mercantile public to apprehend so great a fall?—The circumstances of our being under the necessity of protecting the convertibility of our note, was the great cause of our reducing the circulation so much at that period; and my opinion is that that will never be likely to occur again.

4218. Since the Act of 1844, the rate of interest prescribed by the Bank has been lower than it ever was before; was it ever so high as it has been since the Act of 1844?—It was never so high as it was in October 1847, that I recollect.

4219. Do you approve of that part of the Government letter which suggested 8 per cent. as the minimum rate of interest?—Entirely.

4220. Was gold at that time coming into the country?—It was.

4221. If the Governor of the Bank has stated, that it was coming in when the rate of interest was 6 and 7 per cent., would you not say that 8 per cent. was too high?—Strong measures like that taken should be protected by fixing a high rate of interest, so as not to produce any check to the import of the precious metals.

4222. You do not think it would have been wise to leave the rate of interest to the Bank?—No; I think it was better that the public should know that the rate of interest charged by the Bank was to be high.

4223. Would they not have known that if the Bank had advertised their rate of interest at 8 per cent.?—No; the public would not have had confidence that it would not be changed during the continuance of the letter.

4224. Are you aware that the letter had the effect of raising the rate of interest in the country districts?—I do not think it had; the rate of interest in the country districts was very high before; and the rate of interest, very shortly after the publication of the letter, in Lombard-street and other places, fell.

4225. The rate of interest fell in consequence of the Government letter, and not in consequence of the prescription of the rate of interest to be charged by the Bank, did it not?—The rate of interest mentioned in the Government letter had no effect in increasing the rate of interest out of doors, for the rate of interest fell very soon after the issuing of the Government letter.

4226. If merchants before this Committee have stated, that the more the rate of interest was increased by the Bank, the greater was the panic, would you say that that was a true history of the state of things in the year 1847?—The more the rate of interest was increased by the Bank, the greater was the panic; but whether the increased rate of interest increased the panic, I am not competent to say; I think the panic was occasioned more by an apprehension of not being able, on any terms, to get Bank of England notes, and not from the rate of interest.

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4227. Do you remember who suggested the rate of 8 per cent.?—I do not.

4228. Do you remember whether a higher rate of interest was suggested?—I heard of a higher rate; but who suggested it I do not know.

4229-34. Was that higher rate proposed by the Government to the Bank, and rejected by the Bank, or disapproved by them?—It was proposed by the Bank.

4235. Mr. Hudson.] You have stated, that you disapproved of the letter of October being issued; had you been Chancellor of the Exchequer or First Lord of the Treasury, you would not have issued it?—I am afraid that I am not at all competent to be Chancellor of the Exchequer or First Lord of the Treasury, but my interest in the Act was such, that I certainly regretted that the letter had been issued.

4236. You would not have issued the letter, if the issue of the letter had depended upon your fiat?—I should not have taken upon myself the responsibility of recommending the issue of that letter.

4237. You stated to Mr. Cayley, that you are not much engaged in business?—I am not much engaged in business at present.

4238. Therefore you have no pressing engagements at any time to meet?—No, I have not.

4239. And you have not very extensive means of ascertaining the amount of accommodation that can be obtained by commercial men?—I have only the knowledge which is obtained from my position in the Bank of England.

4240. You have stated that Exchequer bills were 30*s.* discount?—I stated 30*s.*, but some gentlemen said 40*s.*; I was not aware that they had been so low.

4241. Are you aware that there were instances in which the Bank advanced money upon Exchequer bills, and that, when the loan was required to be repaid, the parties could not sell Exchequer bills except at a ruinous loss, and that, in consequence, the loans were not repaid?—I did hear that something of that sort had occurred, but of my own knowledge I cannot state anything upon it.

4242. Had you been aware of that fact, would that have made any alteration in your view of the expediency of not issuing the letter?—I do not know that it would; I would have stood by the Act.

4243. Supposing you had stood by the Act, and the panic had gone on, what amount, do you think, of stock or securities the Bank would have been obliged to sell in the following week to have met the demands upon it?—I cannot form any opinion, because I have no means of ascertaining what the demands would have been upon the Bank.

4244. There was no mitigation of the panic on Friday the 22d?—No; but there had been previously a considerable mitigation of the panic, till intelligence arrived of the stoppage of the Royal Bank of Liverpool, which increased the panic again, and there were also other circumstances which increased it.

4245. The intelligence of the failure of other banks would have added to the panic?—Yes.

4246. Do not you think it probable, that if you had persevered in that course, and the letter had not been issued, other banks would have failed?—It is possible; but then I might not have persevered in my opinion if that had been the case; my opinion is formed upon the circumstances at the time.

4247. Had the panic continued, have you any doubt that you would have been obliged to recommend the issue of that letter?—My impression was, at the time of the passing of the Act, that circumstances might arise when it would be necessary for the Government to relieve the public from any difficulty that might occur.

4248. With the knowledge that you possessed, as one of the directors of the Bank, and fully cognisant of all the circumstances of the case at the time, occurring on Saturday the 23d, you would not have issued the letter?—I think I was not in town when it was determined to issue the letter.

4249. Do you think that renders you incompetent to give any opinion upon the expediency of issuing the letter?—I think myself hardly competent to form an opinion, because I was not aware of all the circumstances.

4250. Then

4250. Then you withdraw the opinion which you have expressed?—I expressed an opinion that, acting upon all the information I had, I should not have issued the letter.

4251. When did you receive information that the letter was about to be issued?—It was on Saturday evening; late on Saturday I came to London, and then heard it.

4252. The public was not aware of it at that time?—The public was not aware of the issuing of the letter till the Monday.

4253. You have stated that in your opinion, the Bank Act of 1844 has acted most beneficially to the public, inasmuch as it has prevented the increased issues of country banks?—Yes, and prevented the formation of new banks of issue.

4254. Is there any circumstance which has come within your knowledge which would have acted with reference to the formation of joint-stock banks, if that Act had not passed?—I believe general state and prosperity of the country would have led to the formation of a great many new joint-stock banks, and a great many banks of issue.

4255. Have no circumstances come to your knowledge with reference to joint-stock banks, accounting for the non-formation of them, except the Act of 1844?—The losses which proprietors of some joint-stock banks have sustained should have deterred others from forming joint-stock banks, but I am not aware that practically the loss by one party deters another from engaging in business.

4256. Though the losses were very ruinous to the parties who embarked in them, and the profits turned out to be very small, you think that those losses would not have been sufficient to deter the formation of other joint-stock banks with unlimited responsibility?—Taking the years 1845 and 1846, the profits would not have appeared to be very small; some of them paid very good dividends though they ought not to have done so.

4257. The losses of the Northern Central and the Manchester and other banks were very great?—The losses in the Northern Central, which were very frightful, did not prevent the establishment of several other banks, after that bank had failed.

4258. There was a series of banks which failed, and involved the proprietors in very large losses?—There was.

4259. Although you may properly, with your views, suppose that the Act of 1844 was almost the sole means of preventing the establishment of banks, you think that that may have been affected by the losses sustained by parties who had previously embarked in them, the public being at first not thoroughly aware of the liabilities which were incurred by the establishment of those banks?—I said that the Act of 1844 was mainly instrumental in preventing the establishment of joint-stock banks, but I have not said that the losses which parties incurred prevented others embarking in them, for I think the losses that have been incurred by one party do not deter other parties from engaging in the same transactions again.

4260. Some of the joint-stock banks issue your notes?—Yes.

4261. There are the same facilities now for the formation of those banks; the great advantage taken away from such banks was the power of circulation?—The advantage of having the circulation, and of putting out a great many notes, would have been a great inducement for parties to establish banks.

4262. Has there been any joint-stock bank that issue their notes established since the year 1844, or previous to the Act of 1844?—I do not know that there has.

4263. Do you think it is possible for a country bank to keep out its circulation to a large extent, more than the public require?—I do not think they can keep it out; they may put it out for a time, but it will return upon them.

4264. You told us that the Act of 1844 had mitigated, very much, the distress which existed in April and in October 1847; will you explain to the Committee how you think it had that effect?—I believe I have stated, that I think there would have been a currency panic as well as a commercial panic, if it had not been for the Act of 1844.

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4265. What do you mean by a currency panic?—A discredit of the circulation of the country and a run for gold; for during times of prosperity and of great occupation through the country, I think there would have been a great increase of the paper circulation, and a diminution of the metallic circulation, and that the bullion in the Bank of England would have been reduced by an excessive issue of paper.

4266. Will you state how the panic in April 1847 arose; what was it that brought on the sudden panic or distress?—It is a large subject to enter upon.

4267. Had you not a large demand made upon you by the Chancellor of the Exchequer for deficiency bills?—There was in April a considerable demand; but I do not think that affected the question.

4268. Are you aware that in consequence of that demand you wrote a circular or instruction to your country branches?—I am not aware that it was in consequence of that demand.

4269. If other parties have said so, you would say that they were not correct?—The reason of the issue of that circular to the branch agents in April 1847, was the reduction of the Bank reserve of notes. The knowledge of the demand which was to be made upon us by deficiency bills was long prior to the letter being written to the country agents.

4270. In April you wrote a circular, and in that circular you instructed your branch banks to limit immediately the discounts of all parties who had had accommodation from the Bank, 50 per cent. ?—I was not aware of the intention to write that letter.

4271. Were you aware that deputations came up from Liverpool in consequence of that instruction?—Yes; I was at the Bank when they came.

4272. In consequence of their representations you abandoned the operation of the letter?—No, we did not; we abandoned the instruction which had been given, and which, if my opinion had been asked, I should have said had been injudiciously given; and I believe we all thought so. I was not consulted upon the instruction when it was given.

4273. To what amount was the reserve of the Bank reduced on the Wednesday?—On Wednesday the 7th, the reserve was 4,347,000 *l.*, of which 3,592,000 *l.* was in notes.

4274. What did the Chancellor of the Exchequer take of that?—He did not take any of that; the payment of the dividends had been made previously; that was on the 17th.

4275. What was it on the 10th?—Three million four hundred and sixty-four thousand pounds.

4276. What was it on the 3d?—Four million three hundred and ninety-one thousand pounds.

4277. Do you know what was the date of that letter to your agents?—I do not; I did not know of it till some time afterwards.

4278. *Chairman.*] Were you in town during the transaction?—I was in London; but the instructions to the agents are not given at the court, and I was not aware of that instruction; and it was afterwards considered that it was not a very desirable mode of reducing the discounts, and it was discontinued.

4279. *Mr. Hudson.*] You paid the dividends on the 7th of April?—Yes; and on the 10th of April we had 3,464,000 *l.* of reserve in the banking department.

4280. And you wrote the letter on the 8th?—The letter, I believe, was written on the 8th.

4281. The Chancellor of the Exchequer borrowed the money on the 7th; were not you bound to pursue such a course; do you see any other mode that you could have adopted, except that of selling securities?—I should have preferred selling securities.

4282. *Mr. Alderman Thompson.*] Had you not a sum of money out on loan?—We had a very large amount out on loan, which did not come back till some days afterwards.

4283. *Mr. Hudson.*] On the 8th of April the letter was written; you think that letter ought not to have been written?—Individually, I should not have written it.

4284. What course would you have recommended the Bank to pursue to strengthen its reserve?—I should have sold securities; but when I give this opinion, I do

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I do it under considerable disadvantages, for I consider that those who were in constant attendance at the Bank, are better able to speak to this than I can be.

4285. You would have sold securities, and not have curtailed the accommodation that you gave?—My own impression is that I should, and that the mode in which the accommodation to the bankers was curtailed was not the most judicious one, by saying that the accommodation which parties had was to be reduced 50 per cent., so that if one had 1,000*l.* going off on discount, he was only to have 500*l.*, and if another had 10,000*l.* going off on discount, he was to be accommodated with 5,000*l.*

4286. In order to increase your reserve, you borrowed 1,250,000*l.* upon Consols?—I do not recollect the exact amount which we borrowed upon Consols.

4287. To come to October, do you think that the Bank pursued a right course then, or would you have sold securities to enable you to give full and complete accommodation to the mercantile world?—In October we pursued a better course than in April, inasmuch as we did not refuse discounts, but we put a higher rate of interest upon them, and I think that was a more judicious course than actually limiting the amount of discounts.

4288. You have stated that the notes should always diminish as the gold flows from the coffers of the Bank?—The notes from the issue department should diminish as the gold flows from the issue department of the Bank.

4289. Then, the Act of 1844, in fact, has been inoperative till April, as far as the Bank is concerned?—I think not.

4290. How did it operate before?—Everybody who brought gold into the issue department had the command of notes, which he might place in deposit with the Bank of England, or in the hands of any other banker. The amount of gold placed in the issue department therefore increased the amount of circulation.

4291. As far as the operations of the public were concerned, the operations of the public were nugatory till the month of April?—No; because, as far as the public was concerned, if they placed large deposits in the Bank of England, they had the command of those deposits; it is a mistake to suppose that the circulation is merely the amount of notes out of the Bank of England; for if the Bank of England as a bank of deposit did not exist, that which was issued by the issue department would be part of the circulation of the country; those notes would be somewhere; if they were not placed with the Bank of England, they would be placed in deposit with other bankers.

4292. You have stated that in 1846, the Bank did not find out till the month of November, that there was a very deficient harvest, and a great dearth of food?—In the month of August 1846, the Bank of England reduced its rate of discount, and there was no apprehension of a deficient harvest; on the 26th of September 1846, we had 16,000,000*l.* of bullion in our coffers, and it continued at a very high amount; it fell to 14,700,000*l.* on the 7th November, but increased to 15,154,000*l.* on the 12th December; everybody was then aware of a deficient harvest, but as to the extent of the deficiency, nobody was informed.

4293. Have you ever contemplated what would have been the effect of the Act, supposing another deficient harvest had followed that?—I think the Act would still have been maintained.

4294. Even if the deficiency had been as large?—Yes. The amount of bullion in circulation in the country was not considerably reduced; it had affected the bullion in the coffers of the Bank, but the country could still pay for a large amount of imported food without suffering serious inconvenience.

4295. The harvest of 1839 was a bad harvest?—Yes.

4296. So were 1840 and 1841; in 1842 there was a tolerable harvest; a great improvement upon those previous harvests; but you do not see the bullion accumulate to any extent till the spring of 1842?—I have not the papers before me; I say say that is correct.

4297. If this country had four or five successive bad harvests, have you ever considered whether the Act could by possibility be maintained?—I think it could be maintained, although the country would be impoverished in proportion as it had to import corn.

4298. On December the 10th, 1839, the circulation, inclusive of bank post bills, was 16,722,000*l.*, and of bullion, 2,887,000*l.*; if you issued 14,000,000*l.* upon securities, you would have wanted the 2,887,000*l.*, or nearly so, in your

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banking department; the notes in the hands of the public would have been 14,000,000*l.*; that would have been the circulation?—I believe if the Act had been in operation at that time, we should never have come down to 2,800,000*l.* of bullion, or have been under the necessity of reducing the circulation under 14,000,000*l.* as in 1839.

4299. There was great distress at that time?—Yes.

4300. And great depreciation in the value of property?—Yes; and that arose from the measures which the Bank thought it necessary to take in order to preserve the convertibility of the Bank of England note.

4301. When you began under the operation of this Act, you began with one bad harvest and 16,000,000*l.* of bullion, and in 1839 you began with a bad harvest and with 9,300,000*l.* of bullion, and you had three or four successive bad harvests; do not you think, if the old Act had continued, the reserve of the Bank would have been greater?—No, I do not.

4302. You parted with 6,000,000*l.* out of 9,000,000*l.* in the one case, and with 8,000,000*l.* out of 16,000,000*l.* in the other case?—The importation of corn in 1846 was much larger in proportion than the importation of corn in 1839.

4303. You have been asked by the Chairman as to the management of the Bank, and it has been suggested to you that a person representing the Government should sit to inspect the proceedings of the directors; do you think the appointment of such a person would be very agreeable to the rest of the court?—I do not think it would.

4304. Do you think you would get respectable members to sit under such an inspector?—I should say not, but it might depend upon the person that the Government was to appoint.

4305. Can you state what was the highest amount of interest charged under the old Act, previous to 1844, and what has been the highest amount charged by the Bank since the passing of the Act?—I think the highest amount before the passing of the Act was 5 per cent., and the highest amount charged since the passing of the Act was in October; it was 9*½* per cent.

4306. You stated that the effect of the letter of the Chancellor of the Exchequer was not to raise the rate of interest in the country generally; have you such information as enables you to say that that was not the case?—I spoke only with reference to the London market, which is generally influenced by the country market.

4307. You have stated that there was not any distress in any parts of the country, except in Lancashire and London?—The great distress was in Lancashire and London, and in other parts of the country there was no distress.

4308. Did not the distress exist all over the country?—I have no knowledge of any difficulty in other parts of the country; there was difficulty in London and in Lancashire, and in Northumberland and Scotland.

4309. What grounds have you for giving the opinion that no distress existed in other parts of the country?—I speak from correspondence which I saw from other parts of the country.

4310. You, not being a merchant, and not corresponding with other parts of the country, had not, individually, the means of ascertaining?—I saw the correspondence from the Bank agents; and it did not appear to me, that there was serious difficulty in other parts of the country.

4311. You refuse accommodation to banks of issue, do you not?—We do not grant accommodation to banks of issue.

4312. Can you inform the Committee of the reasons why the Bank of England refuses accommodation to parties who issue notes?—There are, in my opinion, good reasons for that; those reasons appear in the following paper, which I have drawn up: "Issuing banks, were the right of discounting conceded to them, would keep an insufficient reserve of their own notes, of Bank of England notes or coin, perhaps none, relying on discounting with the Bank on every demand, and most pressing on the Bank when it was restricting its issues.—There are about 300 banks of issue in England and Wales, for all of which the Bank would have to provide gold.—The measure would tend to frustrate one of the objects of Act 7 & 8 Vict. c. 32, (the ultimate establishment of a single bank of issue), by withdrawing a motive to banks of issue to adopt Bank of England circulation. It would give some ground of complaint to those bankers who have already abandoned their circulation, by placing their issuing competitors on a level with themselves as to discounting."

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discounting. It would, as respects Manchester and Liverpool, be inoperative, there being no banks of issue at these places. It would be difficult in times of pressure or adverse exchanges to control the discounts; and such contraction, if enforced, would be obnoxious to such issuing banks as had been in the habit of discounting. The banks would consider they had acquired a right to discounts, and would probably ascribe to the capricious action of the Bank of England any losses consequent on a necessary contraction of accommodation."

Veneris, 31^a die Martii, 1848.

MEMBERS PRESENT:

Mr. Disraeli.
Mr. Thomsen.
Mr. Glyn.
Mr. Chancellor of the Exchequer.
Sir James Graham.
Mr. Cardwell.
Sir William Clay.
Mr. Tennent.
Mr. Haime.

Mr. T. Baring.
Mr. Spooner.
Mr. Beckett.
Mr. Hudson.
Mr. Home Drummond.
Lord George Bentinck.
Mr. Herries.
Sir Robert Peel.

THE RIGHT HON. F. T. BARING, IN THE CHAIR.

William Cotton, Esq., farther Examined.

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4313. Mr. Disraeli.] YOU ascribed the commercial distress in 1847, in a great measure, to the undue extension of commercial credit?—I mentioned that as one of the causes of the distress.

4314. And you were asked whether you meant by that, that there was too much credit in the commercial world, and you replied, "a good deal;" what is the consequence of this surplussage of credit?—That when any difficulty whatever occurs, the parties carrying on a large business on credit cannot meet their liabilities.

4315. Is the consequence of a surplussage of credit, such as you describe, to stimulate commercial transactions?—I do not think it permanently increases commercial transactions; it enables one party to engage in more than he ought to do; and it drives men of capital out of business.

4316. Do you think that there has been a tendency in this country to over-trading in the last year?—There has been a tendency to over-trading on the part of individuals, but I think the general trade of the country was in a satisfactory state.

4317. Mr. Spooner.] Up to what time?—Up to the failure of some of the houses in the corn-trade in August, which commenced the panic.

4318. Mr. Disraeli.] You referred especially to the trade with India, as exhibiting a great tendency to over-trading?—I did.

4319. Do you think the tendency to over-trading in the India market has been of some duration?—I think it has been of considerable duration.

4320. Looking not merely to the last year, but to the last four or five years, since the existence of the Charter Act, do you think that the general consequence of this facility of commercial credit has been that our commercial transactions have been on too great a scale?—Individual commercial transactions have been on too great a scale; parties have exported more than there was any reasonable prospect of being paid for.

4321. You do not think it expedient that the Legislature should pass an Act to stimulate commercial enterprise?—I do not think it should; to facilitate commercial enterprise, I consider desirable; to stimulate it, I consider would be very injurious.

4322. Generally speaking, considering that there has been a tendency to over-trading for several years past, you do not think it necessary or expedient that the Legislature should pass an Act to stimulate commercial enterprise?—Certainly not.

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4323. The Governor of the Bank stated, and I think you also stated, that in the treatment of drains, the Bank did not acknowledge any difference between a foreign and a domestic drain?—I have seen none of the evidence, not even my own; but I do not think I made use of such an expression.

4324. I understood you to say, that if a drain for gold existed, it was not the duty of the Bank to consider whether it was occasioned by an external or an internal cause, but that the treatment would be the same?—I am not aware of having said so; an internal drain would in all probability much sooner terminate than an external drain.

4325. It would sooner terminate; but the Bank would not meet an internal drain by a different course of treatment from that which they would apply to a foreign drain?—With regard to the circulation, the Bank has nothing to do with its regulation; and with respect to effect on the banking operations, I should not be so much alarmed by an internal drain, as by an external drain, which would diminish the whole circulation of the country.

4326. I am speaking of your banking operations entirely?—I understand the question in that way.

4327. Then, you do recognize a difference between the two causes in the management of your banking operations?—I should draw a distinction between an external drain and an internal drain; the latter is not so much a drain as a demand upon the Bank for internal purposes.

4328. You, of course, admit the principle, that in your operations you are to be governed by an observation of the foreign exchanges?—I do.

4329. And you cannot reconcile that principle as the principle that should govern your operations, with the maintenance of the other principle, that no difference can be recognized by the Bank, in the treatment of a foreign drain and an internal drain; you think that there would be an inconsistency in maintaining those two principles?—I think there would.

4330. I believe you most distinctly gave it as your opinion, that there might be exigencies in which some discretionary power should be employed with reference to the limitation of the issues?—I gave it as my opinion, that circumstances might occur in which it would be desirable for those in power to act, but that there should not be any legislative enactment to that effect.

4331. You think, that under no circumstances should any discretion be intrusted by law to the Directors of the Bank?—I think not.

4332. Why do you entertain that opinion?—Because in addition to the inconvenience of any discretion I should be fearful that opinions, which are influenced by a variety of circumstances, might induce a relaxation of the principle when the effect might be mischievous.

4333. You disapproved of the conduct of the Bank with respect to their management of the rate of interest at the end of the year 1846; you thought that it ought to have been raised at the end of that year?—I think it would have been better to have raised the rate of interest at the end of 1846.

4334. Take the end of the month of November and the month of December 1846, do you think it might have been more expedient to have raised the rate of interest then?—I think it might.

4335. You think that the not raising the rate of interest then may be regarded as one of the causes which brought on the general pressure?—I do not; I think the raising the rate of interest half or one per cent. would not have prevented the general pressure.

4336. Do not you think it would have been a check or warning?—To a certain extent; but it would have been a slight warning.

4337. Supposing, cognizant of what was then anticipated by many men, you had raised the rate of interest one per cent. towards the end of the year 1846, do not you think that that might have exercised a very salutary influence upon the state of the commercial and money world?—I can hardly separate my present opinion of what ought then to have been done, with the knowledge I now have, from my opinion at that particular period when we had a large amount of treasure in our vaults; the exchanges were in our favour, and I could not contemplate the extent to which the failure of the potato crop and corn crop would involve the country in the necessity of foreign purchases.

4338. It demands the exercise of a great deal of discretion before the Bank raise their rate of interest one per cent?—Before the Bank raised their rate of interest

interest one per cent., they should feel satisfied that it will not be desirable in a very short time to lower it again.

4339. Do you think that it requires more discretion to fix the limit of issues than to fix the rate of interest?—I think it does; because a fixed amount of issues on securities is a principle which all can understand; and that as gold goes out of the country the circulation will decrease; any discretion to relax it would create uncertainty.

4340. But would not the rate of interest, which is left entirely in the power of the Bank, practically exercise as much influence over the circulation as the amount of issues?—I do not think it would, though the power of raising the rate of interest is a very important and useful power to be entrusted to the Bank, and it could not be confided, I think, to anybody but the Bank itself.

4341. But though that is a power so important, that you would only confide it to the Bank itself, you are not prepared, under any circumstances, to confide the other power of increasing the issues to the same body?—I am not.

4342. I do not clearly, from your answers, understand the reason why you make that difference?—I draw this distinction between the two: I think, with regard to raising the rate of interest, if the Bank makes a mistake it can be corrected by lowering the rate; but if they make any mistake by increasing the amount of their issues, it may be very difficult for them to retrace their steps, and the knowledge of the fact that the Bank had the power of increasing their amount of issues, would induce people to rely too much upon that power.

4343. Could not they diminish their issues by the very process to which you have referred in your evidence, and to which several other witnesses have referred, in the same manner as they diminished their rate of interest?—They could diminish their issues, and if public bodies always acted with perfect consistency and with perfect judgment, and the public had confidence they would do so, I should say that they might have the power either of expanding the circulation, or of regulating their rate of interest.

4344. We should not want any Bank Charter then?—No, we should not, if the Bank acted always upon sound and well-defined principles.

4345. I understood from the Governor, and I think I heard the same opinion given by yourself, that your experience in banking has very much increased of late, and that banking principles are better understood now than they were in the year 1839?—I think so; and I had confidence that banking principles were generally better understood, but what has recently occurred in the case of some of the joint-stock banks, leads me to think, that as they have not been acting on sound banking principles, so they do not understand them.

4346. Would not that increased experience and clearer intelligence on the part of the Bank, have served the state as well as this arbitrary principle of limitation? —I do not think that, under any circumstances, the discretion being left with the Governor and Directors of the Bank, would be so efficacious as the principle of limitation.

4347. Will you be good enough to state your reason for that opinion?—My reason for that opinion is, that our judgment is influenced by circumstances, and we are all liable to make mistakes, but there can be no mistake in reference to the circulation, if the amount of houses upon securities is fixed.

4348. You do not mean to say, that the Bank directors are influenced by their interests?—I do not think they are wilfully influenced by their interests.

4349. If they are not wilfully influenced by their interests, and they have the advantage of all this increased experience, by which banking principles are now understood according to your opinion, and they were not understood in 1839, why should they not, with that increased intelligence, be able to administer their affairs without this arbitrary limitation?—I am not disposed to say that they might not, but I think that all arbitrary limitation is a better security than relying upon the discretion of any public body.

3350. You have been a Bank Director for a considerable period?—Since the year 1822.

4351. And you entirely approve of the present Act?—I do, entirely.

4352. It has worked very well for the Bank proprietors, has it not?—It has worked very well for the Bank proprietors, though that was certainly not the great object in view in negotiating the Charter, when the profit from increased issues was taken from them.

4353. I am speaking of the result, and not of the object; you alarmed me by the hypothesis, that the interest of the Bank directors and proprietors might

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possibly influence their discretion, and, therefore, I wished to see what the effect of the law at present was upon their interest?—I fear I am misunderstood; what I said was, not that the interest of the Bank directors and proprietors would have influenced their discretion, but those impressions which we receive from the peculiar circumstances, do influence all our judgments.

4354. But the circumstances to which you refer must be commercial transactions, of which the Bank must be more cognizant than any other body of men can be?—My own impression is, that when difficulties in commerce arise, it is very difficult for anybody to come to a perfectly sound judgment as to whether the circulation should be expanded or not.

4355. That I admit; but who are the most qualified, and capable of approximating to a sound judgment?—I do not think that parties, who are themselves interested in the question, are the most capable of doing so.

4356. What was the rate of dividend paid to the Bank proprietors in 1844?—It was 7 per cent. for the year.

4357. What is the dividend that has been declared by the Bank for this year?—Nine per cent. for the year.

4358. Does the Bank pay the Income Tax for its proprietors in this year?—It does.

4359. Did it do so in 1844?—It did not.

4360. Then this Act has worked very well for the proprietors?—In the two half-years after the passing of the Act, the Bank made sufficient to pay a 3½ per cent. dividend, but not sufficient to pay, in addition, the Property Tax; the advantage which has since arisen to the Bank has been from the large amount of deposits in their hands.

4361. But the result is, that since the passing of the Act, the dividend to the proprietors has been raised from 7 per cent. to 9 per cent., and the Income Tax, that previously to the Act was paid by the proprietors, is now paid by the Bank?—It is so; but perhaps I may be allowed to say, that I do not think that has arisen from the working of the Act, and I should be very sorry if there was any confidence in the continuation of that dividend; the amount of dividend must depend upon our profit as bankers, and I do not think the Act has any tendency to increase the amount of our deposits.

4362. I understood you to say, that the highest rate of interest paid in your banking transactions, previous to the Act was 6 per cent.?—It was.

4363. What has been the highest rate since the Act?—In October the highest was 8½ per cent.

4364. What was the Rest in 1844, after the payment of the dividend, and the Rest in 1848?—In August 1844, after deducting the dividend, the Rest was 3,009,288; in February 1848, after deducting the dividend, the Rest was 3,291,643.

4365. Mr. Thorneycroft.] Considering the failure of the potatoe crop in 1846, and the deficiency of the harvest, and the consequent heavy importations of food, and the enormous amount of capital required for railway investments; considering also the circulation of a large amount of bills of doubtful character; under all those circumstances is it your opinion that any conceivable system of circulation could have converted the year 1847 from one of disaster and suffering into one of average prosperity?—Certainly not; a sound system of circulation did diminish the suffering, but it could not convert it into prosperity.

4366. What system of circulation could have diminished the disaster and suffering of the year 1847?—The preserving a large amount of gold circulation in the country, for if there had been a larger amount of paper circulation in the country, the misfortunes of 1847 would have been greatly increased, inasmuch as there would have been a discredit of the circulation, as well as commercial discredit.

4367. Sir James Graham.] Since the year 1837, how many Bank directors have been unfortunate in their private concerns, so as to stop payment?—I cannot state.

4368. How many, who have ever been Chairman or Deputy-chairman, have been in that unfortunate predicament?—Two since 1837.

4369. Have any stopped payment while they have been Chairman or Deputy-chairman?—Two.

4370. At what periods?—One in 1847, and the other some years back, before 1837.

4371. Are you satisfied with the constitution and election of the governing body

body of the Bank?—What has lately been determined on is a great improvement, and I believe it will work well.

4372. To what do you allude?—I allude to our departure from the system of rotation, in selecting a director to be recommended to the proprietors as Governor or Deputy-governor.

4373. Is that the only alteration that you would recommend in the constitution of the Bank?—I think it is; at any rate I should like to see the effect of that tried, before any other alteration in the constitution is made.

4374. Will you explain to the Committee what is the existing system which has been altered, of the choice of the governing body?—The existing system is, that we are, by ballot, to select from among the directors, a person to be recommended to the proprietors as Governor; and also one to be recommended to the proprietors as Deputy-governor.

4375. When you say "we" to whom do you allude?—To the Court of directors.

4376. Then the principle of self-election, you on the whole desire to see continued?—The principle of recommendation on the part of the Court, I certainly consider it is very desirable should be continued.

4377. Are those who go out eligible to be re-elected?—Only a certain proportion of those who form the direction in a former year, are eligible to be elected as directors in the next.

4378. Then those who have acquired experience and who have shown particular aptitude for conducting the business, by the rule, even as it is now modified, may cease to be part of the governing body in rotation?—Yes.

4379. And those who are unacquainted comparatively with the business, and who therefore may not be so apt for the transaction of it, may supply their places?—Yes; I do not think it a good plan that so many directors should be compelled to go out by rotation.

4380. Then all the changes which you would consider desirable are not yet effected?—No; I think that it would be an improvement if 20 directors were eligible for the new direction instead of 16.

4381. Then all the changes which your experience would lead you to think desirable, are not yet effected or contemplated by the Bank?—The Bank has no power to alter the number of the directors eligible for re-election; my impression, until very lately, was that the Bank had the power, as the original charter of the Bank said nothing with regard to the number of directors who had served the preceding year, being eligible for the succeeding year, but a subsequent Act of Parliament provided, that only 16 who had been directors the preceding year should be eligible for the ensuing year.

4382. Then to effect all the changes which your knowledge of the subject and experience lead you to think desirable, the intervention of Parliament is necessary?—It was only lately that it was ascertained that an Act of Parliament was necessary to make that alteration.

4383. With regard to the Governor and Deputy-governor, do you think it desirable that they should change more frequently, or less frequently, than the rule now prescribes?—I think it would be desirable that they should change less frequently; at the same time we should have a difficulty in finding gentlemen who would give up more than four years to the discharge of the duties.

4384. Have you ever considered whether it would be desirable to have a permanent Chairman or Deputy-chairman?—I have considered the subject, and I do not think that it would be desirable; if the Governor and Deputy-governor were very efficient, the whole management of the business of the Bank would devolve upon them.

4385. When you have proved their efficiency, even under the existing modified rule after the lapse of a certain period, they must retire from office?—They need not; a gentleman who has passed the chair may be again recommended to the proprietors.

4386. Could you expect the permanent service of a gentleman, showing great capacity for this arduous task, without an ample salary?—Certainly not.

4387. Would you see any objection to securing the services of a person so having proved himself competent, by giving him an annual salary, viewing the subject with reference to the interest of the proprietors on the one hand, and the interest of the public on the other?—When a permanent Governor is mentioned,

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tioned, the impression is, that he, unless removed, is to be continued in office; if it is meant that a gentleman may be recommended as a Governor year after year without limit, I think that might be desirable, and he ought then to have a remunerative salary.

4388. Would you object to any intervention of Government in the nomination of such a permanent officer?—I should.

4389. Will you state your objection to such a measure?—I think it would very much destroy the independence and character of the Court.

4390. How do you reconcile the independence of the Court of Directors with the immediate connexion that exists between them and the Government, and with the fact of the Bank, in a time of great emergency, applying to the Government for the relaxation of the Act of Parliament?—There was not any application made by the Bank to the Government for the relaxation of the Act of Parliament, and I think the Court are perfectly independent.

4391. You are of opinion that any relaxation, such as took place in October last, might have been dispensed with on the part of the Bank?—I am clearly of that opinion; it was a question with reference to the general interests of the country, and not of the Bank.

4392. Are not the Bank and the Government, with reference to the interests of the country, so identified that a constant communication should be kept up between them?—There should be the most unreserved communication; but the responsibility of the Government is very different from the responsibility of the Bank.

4393. But you would not wish the responsibility to be shared in any degree, by officers nominated by the Government having any control whatever over the management of the Bank?—I should not, nor as Governor, to preside at our courts over our deliberations.

4394. You are entirely satisfied with the connexion as it now exists?—I think there should be the most unreserved communication between the Governors of the Bank and the Government; but I think a more intimate connexion than a most unreserved communication would not be beneficial.

4395. Mr. T. Baring.] What is the objection to having private bankers as directors of the Bank of England?—Because they might be supposed to have a peculiar interest of their own, and there might also be a jealousy on the part of other bankers if some of their body were directors of the Bank.

4396. Would there be more reason to apprehend personal interest operating in the case of a private banker, than in the case of a merchant?—I have that confidence in private bankers, that I am sure they would act in the most straightforward and honourable manner; but there would be a feeling on the part of other bankers, that it was not desirable that one of their body should be on the Court when they were not there themselves.

4397. Will you state to the Committee whether you think the present system of publicity of the accounts of the Bank beneficial and important, or whether you would suggest the propriety of any change in the mode of publicity?—In 1844, in common with several other directors, I expressed some doubt, which is stated in our correspondence, as to the expediency of publishing the Bank accounts; but my impression now is, that if we had not published them, there would have been much more alarm than the publication has created.

4398. Your opinion is, that publicity ought to be given to the accounts of the banking department, as well as of the issue department?—Publicity having been given, I think it ought to be continued, and my experience of the past few years is, that the unauthorized publication, the speculative publication of the state of the banking department of the Bank, would be more mischievous than the present publications.

4399. Do you think the form now adopted is the best form that could be adopted?—I do not see any reason to wish to alter that form.

4400. Does it convey to the public the exact state and position of the Bank, at the time it is published?—I think it does; it is an actual statement of the transactions of the preceding week.

4401. It comes out, therefore, a week after the accounts are made up?—The accounts of the Saturday cannot be made up till the Tuesday or Wednesday, as the accounts from all the branches are required to make the account complete.

4402. To take the account which came out on the Saturday after the issue of that letter of relaxation, would that have conveyed to the public an exact idea
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of the position of the Bank at the time that account was published?—It would not; the account was made up on Saturday, the letter was issued on the Monday; Saturday's account was published on Friday.

4403. Is it not likely to produce an erroneous impression which may be injurious?—I do not think it is; and it is not practicable to publish the state of the Bank on the very day, from the circumstance I have mentioned.

4404. Would it not answer all the purposes, if the publication was a publication of six weeks, or of two months, or of three months, of the Bank accounts?—I think a publication at such distant periods, would give rise to many speculative opinions as to the state of the Bank, which would be more mischievous than the frequent publications.

4405. Can anybody, from these accounts, form a judgment as to the real power of the Bank under the then state of its deposits and its reserve and its securities; is it not very possible, that, without knowing the maturities of those securities, or the nature of those deposits, a reserve, which may be quite sufficient to meet the wants of the Bank, may appear to the public to be frightfully small?—It is possible.

4406. Is not that an inconvenience arising from the present mode of publication?—It is an inconvenience, but I do not see any remedy for it.

4407. Would any other bank, or commercial man, think that he was giving a fair statement of his affairs if he were to give a similar statement of them to that which the Bank gives?—I think the public understand what that statement is, it is a fair statement; and that it does not contain the state of the Bank up to the date of its publication.

4408. Then, if it does not contain those data, it does not give correct information?—It gives correct information as far as it goes; but it does not give all the information that you allude to.

4409. You think no improved publication could be given?—I am not aware of any.

4410. You stated that the Bank of England had duties to the public; by that do you mean that they have duties beyond that of converting the note into gold?—They have no duties now with regard to the convertibility of the note; their duties are now to manage the banking department properly.

4411. Is it your opinion that the Bank of England has duties to the public, or would you say that it had been relieved of those duties?—Every corporation has duties to the public, and every individual has duties to the public, and the Bank is bound to do all it can for the benefit of the public.

4412. Do those duties ever clash with its duties to the proprietors?—They may very often; but I do not think the advantage of the proprietors ever stands in the way or prevents the Bank from doing a public good.

4413. But it must be a duty the Bank owes to its proprietors to make as large a dividend as the banking institution safely can?—Not merely as it safely can, but as it fairly can, with reference to the general interests of the public.

4414. Then, the banking department of the Bank of England regards the public not as any other banker would do, as its customers, but it considers that it has a duty to the public, namely, to give all the facilities it safely can give to the commercial community?—I think it has that duty, and I think it has always acted upon that feeling.

4415. If we take the present time, when you have a large amount of reserve of notes, and a large amount of bullion, would it not be the interest of the proprietors to employ the reserve of bank notes?—I think that when we consider the interest of the proprietors, we must consider that it is the interest of the proprietors that the Bank should be conducted with as much advantage to the public as possible; I should explain what I mean in this way; if I held any public situation, though it might be my interest personally to make it advantageous to myself, I should consider that it was very desirable for me to act with reference to the public weal, as well as my own individual interest, in order to retain the confidence of the public.

4416. Then you do not consider that the banking department of the Bank of England is in the same position as any other private bank?—I consider that it is very much in the same position as a private bank, and if a private bank does not act liberally and fairly towards its customers, it may do itself a present good, but an ultimate mischief.

4417. You stated that in the year 1844, when the discount-rate of the Bank

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was reduced to $2\frac{1}{2}$ per cent., it did not produce the effect of lowering the rate of interest of money out of doors?—The rate of interest of money upon that description of bills, which we discounted at the minimum rate of $2\frac{1}{2}$ per cent., was lower in Lombard-street than the rate at which we fixed our discounts.

4418. But it rose gradually to your rate?—It did.

4419. Do not you imagine that your fixing the rate of $2\frac{1}{2}$ per cent., may have prevented a further rise of the rate of discount out of doors?—It may have had that effect; but if our discounts increased inconveniently, it would have been necessary to raise the rate; we could not have continued a lower rate of discount than the market-rate without draining the Bank of its deposits.

4420. If you had kept your rate of discount at 4 per cent., would not the rate out of doors have risen more rapidly than it did when your minimum rate was $2\frac{1}{2}$ per cent.?—I think it is very possible that it might, but I can hardly form an opinion upon that subject; we did not keep the rate at $2\frac{1}{2}$ per cent. after the period that the rate of interest out of doors rose above it.

4421. Do you suppose that the rate of interest for loans has the same effect upon the rate of interest out of doors, as the rate of interest for discounts with the Bank of England?—It has the same effect; but I do not think it has an effect to the same extent.

4422. There is a greater character of permanence attached to the rate of discount than to the rate of interest on temporary loans?—When the Bank lend money upon temporary loans, it lends it for such a period as it is convenient to have it repaid.

4423. And sometimes they refuse to lend upon loans at all?—The Bank has frequently refused to lend upon loans.

4424. Therefore would it not appear that there is a great difference as regards the effect upon public confidence between the rate of interest charged for loans and the rate of discount charged by the Bank?—The rate of interest charged for loans (I will take the case of lending out money to be repaid at the period of the dividends being paid) does not, I think, produce the same effect upon the public mind as raising or lowering the rate of discount.

4425. I understood you to say that you considered that there was no fear of the Bank of England stopping payment, in fact, because there was a full power of realizing its securities?—Exactly.

4426. Would not the same power have existed before the Act of 1844?—Precisely the same power existed; but, under the circumstances in which we were placed in October 1847, we had not to sell securities or press on the public, to protect our circulation as well as our banking reserve.

4427. Is not the result the same; take 1839, if you had sold a larger amount of securities in the market at any price, you would have drawn in your notes, and you would have secured the convertibility of the bank note?—We did sell a large amount of securities in 1839, and we borrowed money upon the dead weight and other securities, and yet we could not stop the demand of the public to obtain gold for notes when they saw the amount of our reserve of bullion; by the selling of securities we did ultimately succeed, but with more pressure upon the public, I think, than there would have been under a fixed state of the circulation.

4428. Was not the pressure removed very much by an operation abroad?—The pressure was removed by an operation abroad, but I think that operation abroad did mischief in other respects.

4429. In what respects?—Inasmuch as it interfered with the natural operation of the exchanges.

4430. But with that power of selling your securities, you would have had no fear of maintaining the convertibility of the bank note into gold?—I should not have had any fear of doing so, but it might have distressed the public more than under the present system.

4431. What is the test of the greater distress; in 1839, the rate of interest was 6 per cent., and in 1847 the rate of interest was $9\frac{1}{4}$ per cent.; was not that a test of the public suffering more in 1847 than in 1839?—In 1839 we not only raised the rate of interest to 6 per cent., but we shortened the *échance* upon bills &c.

4432. You shortened it practically in 1847, because you fixed different rates upon different *échances*?—We fixed different rates, but we did not refuse bills within the ordinary date of 95 days; but in the other case, we actually refused to discount bills which had more than 30 days to run.

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4433. The Bank of England refused discounts in April 1847?—I think they did; those parties who had a large amount under discount were refused.

4434. And loans upon Exchequer bills were likewise refused?—Loans upon Exchequer bills were, I believe, refused, and the parties holding them were referred to the market.

4435. Do you consider that that was a necessary step?—I can hardly say; I was not then the Governor of the Bank; but without further information, I think it was a step that I might not have recommended.

4436. Then, if that was not a necessary step, it was not a wise one?—Not having been in the situation of the Governor, and cognizant of all the circumstances, I should be very sorry to give a positive opinion upon the subject.

4437. In October 1847, I understood you to say, that the Bank of England refused no discounts?—They refused no discounts that they would not have refused under other circumstances.

4438. That applies to London; they did refuse discounts in Liverpool; did they not?—I am not aware that they did within their usual limits.

4439. You say that bills were only refused on account of their character?—I believe only on that account.

4440. In October 1847 almost all the other sources of discount were closed?—They were so; not entirely, but to a great extent.

4441. So that any individual, who had been in the habit of discounting partly with the Bank of England and partly elsewhere, was reduced entirely to the Bank of England; did you increase your facility of discount to that individual?—We put no restriction upon the amount of discount, provided the security was good, except the usual limits as to time.

4442. But, although no restriction was fixed, you would not have discounted 50,000 *l.* for a party for whom you had been in the habit of discounting only 20,000 *l.*?—I think we should, provided the bills were undoubted; we might have put a higher rate of discount upon them in consequence of the amount, but I do not think they would have been refused; I am not aware that any were refused.

4443. The pressure upon the public was very much produced by the fact, that no money could be raised, except upon such property or securities as were admissible at the Bank of England?—I think it was.

4444. Do not you consider that that was an injury to the commercial community?—I think every difficulty of obtaining money is an inconvenience to the commercial community.

4445. In your former evidence, you said that in October there was no want of circulation with the public; that is to say, no want of bank notes with the public?—There was no deficiency of bank notes with the public.

4446. Can you determine precisely what is a deficiency or a sufficiency of circulation, on all occasions?—I can only judge from what is sufficient under ordinary circumstances; I am not able to say what would be sufficient on all occasions, any more than I should be if the circulation were wholly metallic.

4447. The notes now with the public are considerably under 18,000,000 *l.*?—I believe they are under 18,000,000 *l.*

4448. In October they were upwards of 20,000,000 *l.*?—Yes.

4449. The minimum rate of discount in October was $9\frac{1}{2}$ per cent., and it is now with the Bank of England 4 per cent., and out of doors lower than that; do not you consider that the fulness of the circulation varies very much according to the circumstances of the country; and do you consider that what is sufficient now would have been sufficient under the circumstances of the country in October 1847?—I think the demand for circulation varies under different circumstances; but the supply of the fair and legitimate demand for an increase should be from the action on the exchanges, rather than from any power of issue.

4450. Do not you think that it is obvious that 20,000,000 *l.* did not perform the same functions, as regards trade, in October 1847, that 17,000,000 *l.* or 18,000,000 *l.* do now?—The fact was so, inasmuch as people looked up their notes; and if you had looked up any other species of circulation, it would have had the same effect.

4451. You said that the suffering was very partial in 1847?—It applied to few places in England; generally through the country there was no pressure; when I speak generally of the country, I include the agricultural districts, as well as the manufacturing districts.

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4452. The pressure was in the commercial towns and the mining districts?

4453. Were not there, during the last week of October, failures of banks in the agricultural districts?—There were some failures of banks who had imprudently lent out their money on inconvertible securities; but I am not aware of any bank having failed that continued its business upon sound banking principles.

4454. Were not the safest banks in the country, at that period, in apprehension that there might be a run upon them?—They were.

4455. Therefore they thought it necessary to provide an additional amount of bank notes for the pressure?—No doubt they did.

4456. Was not that a proof that some relaxation was required, or some measure that would restore confidence in the public mind?—It was a proof that some relaxation would be convenient; but whether it would be desirable or not, depended upon the effect of the relaxation at other periods, as well as at that immediate period; I mean that when parties hoard their money, a relaxation would be very convenient; but that relaxation would, in my judgment, produce mischief at other periods.

4457. You are still doubtful whether the measure of relaxation in October was a wise measure or not?—I have stated that it was not a measure which I should recommend; I had not that full knowledge of all the circumstance of the country which Her Majesty's Ministers possessed, nor had I their responsibility upon me; but my opinion was in favour of continuing the Act, without any relaxation, inasmuch as I feared that the relaxation would be depended upon on some future occasion, when it might not be essentially necessary.

4458. Even in the negotiation of the Bank Charter in 1844, you foresaw circumstances in which a relaxation might be required?—I did.

4459. Did you limit the cases of relaxation to cases in which the notes of country banks were in a state of discredit?—No, I did not; I should limit it in this way; that only under very extreme circumstances of inconvenience relaxation should take place; if those extreme circumstances should occur, they must be met by extreme measures.

4460. But what do you consider an extreme case?—I did not consider it an extreme case when all the bills of exchange coming to maturity that the Bank of England possessed, and, I believe, generally all the bills that others possessed, were very regularly paid.

4461. Had you confidence that that would continue to be the case?—I had that expectation, as the difficulty arose from a want of confidence, and was a panic from apprehension, and not grounded on facts.

4462. A panic implies an excessive apprehension; that excessive apprehension existed in London; it existed in commercial places, and it existed in the manufacturing and mining districts; and it had already attacked at the time certain of the agricultural banking interests, had it not?—I do not think it had; there were one or two small agricultural banks which failed, but the largest agricultural bank that failed, the North Wales, had an establishment at Liverpool.

4463. Mr. Thwaites.] The head bank was at Liverpool, and they had branches all over North Wales?—Yes; I could not therefore consider it exclusively an agricultural bank.

4464. Mr. T. Baring.] Do you suppose that the Ministers for the time being, in this country, are the best judges as to the extent and nature of any money-pressure in the country?—Not from their own experience; but they have the advantage of knowing the opinions of other people better, and of obtaining more extensive information, than any other parties.

4465. Do you think that they would be the best judges how far a pressure is of a salutary character, or how far it may be a commercial discredit, or how far it is really a panic?—I think they would.

4466. From information that they derive?—From the information that they derive, from a variety of sources; and from the responsibility that rests upon them not to take any measure not absolutely necessary.

4467. A Minister before he authorizes a violation of the law must have an extraordinary case to plead?—Yes; my impression is, that the advantage of the responsibility resting with a Minister is exactly what you state, that he must have an extraordinary case to plead before he encourages any relaxation.

4468. So that there must be great suffering as well as great discredit?—I do not

not think any Minister would relax the law unless his impression was that there was great suffering and great discredit.

4469. By an earlier relaxation might not that suffering have been avoided?—Yes; it might have been avoided, but the danger then would have been that it would have interfered with the operation of the Act and the security of the currency.

4470. In a state of similar circumstances, in 1839, the issues of the country banks of issue in England were much greater than they were in 1847, were they not?—I think they were, and I consider the most valuable part of the Act of 1844 was the approximation to one bank of issue, by limiting the amount of issues of existing banks, and preventing any new bank of issue from being formed.

4471. Would it not rather follow, in that case, that the Bank of England might, in circumstances of emergency, increase its issue without danger either to the convertibility of its note, or the depreciation of its value?—It might do so, but I question very much whether it would be desirable to leave the discretion of doing so to the Bank of England; my impression is, that it is better that the responsibility should rest with the Government of the country. The Bank having the responsibility of paying their notes in gold could not, in course, be compelled to issue additional notes on securities, though the Government sanctioned their doing so.

4472. Even during the time of the maximum issue in 1847, of the Bank of England, the amount of bank notes in England was much less than it was in 1839?—In 1839 the Bank of England had only 14,000,000*l.* of notes out with the public; I have no means of ascertaining if the issues of other banks made the maximum issue exceed that in October 1847.

4473. Therefore, as far as the facilities of trade are promoted by paper money, there was less paper money and less facility for trade in 1847, than there was in 1839?—I do not think there was less paper money in 1847 than in 1839; there was less facility for obtaining it.

4474. Supposing it to be the case, that there was less paper money in 1847 than in 1839, do not you think it desirable that the Bank of England should have the power of meeting wants of the public, such as those which existed in 1847?—I think not, for if they had the power, there would be a pressure upon them to use it at other times when it would not be desirable to do so; it is a balance of advantages and disadvantages; in 1847, in the then state of the exchange and the panic which existed, the expansion of the issue might have been carried out without any evil; but I think, that if the Bank had done so, they would be pressed at other periods to expand their circulation, when it would cause serious inconvenience.

4475. By the Act of 1844, when the banks of issue are extinguished, the Bank of England has the power of applying for an increased power of issue upon securities to the extent of two-thirds?—Yes.

4476. The issue of between 300,000*l.* and 400,000*l.* of private banks is now destroyed?—About that amount.

4477. Has the Bank of England applied for any power to act upon that?—It has not.

4478. Supposing that power of issuing between 300,000*l.* and 400,000*l.* of bank notes in the kingdom is destroyed, do you think it is desirable that the Bank of England should apply for a power of increased issues upon securities according to the Bank Charter?—I think it is desirable.

4479. Even that power of the Bank will only give two-thirds of that issue on securities?—Yes.

4480. Therefore, the effect of the Act of 1844 is really to diminish the power of issuing bank notes in the country on securities?—It is; but I do not think that would affect the general circulation of the country; the circulation of the country would be more expensive if the Bank only issued 5,000,000*l.* or 10,000,000*l.* upon securities; but there would be the same amount in circulation, only at a greater cost.

4481. That greater cost would have a serious effect upon the existing prices of all properties in this country, would it not?—It might for a time, till bullion had been obtained; but after bullion had been obtained, the circulation would have borne the same relative proportion as at present to the circulation of the world; if we had the power of issuing upon 12,000,000*l.* instead of 14,000,000*l.*, the country must pay for 2,000,000*l.* of gold.

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4482. The great advantage of any paper circulation is its comparative cheapness?—Exactly; it is only a question of economy.

4483. But supposing the limit to all private banks to be 9,000,000*l.*, there being no power to create fresh banks, and the existing banks gradually dying off, the Bank of England would, according to the present Act, have the power of issuing upon securities only 6,000,000*l.* instead of 9,000,000*l.*?—They would have that power.

4484. Mr. Spenser.] Am I to understand you to say, that if the Bank of England limited their issues to 5,000,000*l.* instead of 14,000,000*l.*, we should have as large an amount of the circulating medium float in the country?—I think the amount of circulation would be the same; it would be upon a larger metallic basis.

4485. If there were no permission whatever to issue paper, the same principle must hold good?—I was not speaking of the issue of paper generally, but of the issue of paper on securities; if there was no issue on securities, the paper would be issued upon bullion instead of upon securities, as formerly in Amsterdam, Venice and Hamburg.

4486. Do you believe it possible that we could carry on the commercial trade of this country, with no paper circulation beyond that which is actually represented by the deposit of gold in your cellars?—I believe we could.

4487. Do you believe that that would be immediately effected, or would it take some time to bring it about?—I think it would take some time, inasmuch as we must pay for the gold; but when we had the gold, the circulation would be more valuable, and less liable to fluctuations.

4488. How would you propose to pay for that gold?—It must be paid for in the same way as for anything else, by giving something in exchange for it; and instead of importing other goods, we should import gold.

4489. You would export our manufactures to pay for it?—Yes.

4490. Would not that very materially alter the price at which those manufactures would be exported?—Not permanently.

4491. What time do you suppose it would take so to regulate and adjust this affair as that it would not alter the price of our manufactures materially?—I am hardly competent to say; but looking to what has occurred in this country, and the enormous amount of foreign securities which have been purchased, I should say that it would not take any great length of time.

4492. During the time that the gold was being brought in, how would you provide for the payments necessary to be made for carrying on the commercial transactions of this country, and for paying the taxes to meet the dividends?—I think the adoption of a metallic circulation, instead of the paper circulation on securities, should be a gradual work, and not an immediate one.

4493. During the time it was going on, it would create great distress, would it not?—I do not think it would; it would depend upon the period of time allowed for the alteration of the circulation, from a paper circulation issued upon securities, into a paper circulation issued upon gold.

4494. The ultimate result must be, that our manufactures would be as cheap as foreign manufactures?—Yes, our manufactures must be sold as cheap as foreign manufactures, or we must have something else to export, or we must import less of other articles and more gold.

4495. Can you export anything from this country but manufactures of some sort?—Manufactures and colonial produce and a variety of other things might be exported.

4496. But colonial produce is first of all imported, and consequently must be paid for, therefore does it not resolve itself into this, that if you are to bring gold into this country in order to substitute a gold circulation for a paper circulation, manufactures must go out sufficient to pay for that gold?—Something must go out to pay for that gold.

4497. Is there anything else but manufactures that can be exported?—There are a variety of exports which are not called manufactures; coffee, tea and other things.

4498. Those are not grown here, and something must have been sent out to pay for those?—Iron and coals and a variety of things might be sent out; the produce of the industry of this country must go out to pay for the gold.

4499. Must not the price of the products of the industry of this country come down

down to a level with the continental prices before they can go out for the purpose of belaying hack gold?—If the produce of this country cannot be sold so low as the foreign produce, it certainly cannot be exported with advantage, for the import of gold, or for any other import.

4500. Then our products exported must come down to the level of the continental prices?—Certainly.

4501. Do you believe that this country, with its weight of taxation, can export the produce of its industry to be sold upon the same terms as our continental neighbours charge for their produce?—I believe it can.

4502. What is it, then, at this present moment that occasions the loss of markets which has been proved before this Committee; it has been proved that we are gradually losing all the markets of the continent because we are undersold?—I am not aware of that evidence.

4503. But are you aware of that fact?—No, I am not.

4504. Do you believe that there are many markets that were formerly open to us for our manufactured goods, which are now completely closed to us?—I believe there are, but others have been open to us.

4505. If we can afford to sell our goods as cheap as our continental neighbours can afford to sell them at, how do you account for any markets being closed upon us?—I cannot account for it, because I do not know all the circumstances that enable foreigners to manufacture or sell cheaper than we do.

4506. You stated that you were under no alarm as to the convertibility of the note in October 1847, and that the letter was issued not at all for the safety of the Bank, but for the benefit of the public?—I was asked whether I was under an alarm with respect to the stoppage of the Bank, and I said that I was under no alarm; with regard to the convertibility of the note, there was no question.

4507. You have said that in ordinary times you ought to keep not less than 3,000,000*l.* of reserve in your banking department?—I think I stated, that if the deposits were reduced to 6,000,000*l.* or 7,000,000*l.*, we ought not, in my opinion, to hold less than 3,000,000*l.* in our banking department, to meet any demand which might be made upon us.

4508. Are you aware of the amount of private deposits in the Bank the day before the letter was issued?—No, I am not.

4509. Should you say that there was no danger of the stoppage of the Bank, if you perceived that your private deposits at that time were 2,500,000*l.*, and that your reserve both in London and in the country was brought down to 2,000,000*l.*?—I had no apprehension of the stoppage of the Bank, because I knew that very large loans were coming in, and also that we had the power of selling securities, which we should have done even at a very low rate rather than have stopped payment.

4510. Can you give the Committee any idea if those deposits had been called for, one of your brother directors having said that it might probably be expected that a large proportion would be called for, to what amount you might have been obliged to sell securities?—I can really form no opinion; we might have been compelled to sell securities to the amount of 1,000,000*l.*, or we might have been compelled to sell securities to a larger amount.

4511. What effect do you suppose 1,000,000*l.* of securities at that date being pushed into the market would have had upon the price of securities generally?—I can form no judgment; but, at any rate, I think we were bound to pay our depositors, if they drew upon us; but it was so much the interest of all the bankers and all the commercial public that the Bank of England should not stop payment, that I had no apprehension that they would make a run upon the Bank.

4512. But supposing that the country made a demand on the London bankers, and that the London bankers were compelled to draw their money out of your hands to meet the demands made upon them from the country, however much they might object to make a run, would they not be equally compelled with you to pay their depositors, and for that purpose to draw their money out of your hands?—I had no expectation of any such demand upon the bankers.

4513. Mr. Thorneycroft. Supposing the depositors in private banks were at the same time to draw out their deposits, could the private banks and joint-stock banks prevent a run upon the Bank of England?—No; but I consider that that would be an extreme case, and in that extreme case, extreme measures should be taken to relieve it.

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4514. Sir William Clay.] Could any system of banking prevent the possibility of such an event occurring?—No.

4515. Sir Robert Peel.] Supposing parties holding Bank of England notes were at the same moment to present their notes and demand gold, would there be any possibility of paying them?—No; we rest upon the confidence that parties will not do so; they cannot do so to a large amount.

4516. Mr. Spooner.] Can you give an idea of what amount of securities you would have been likely to sell?—It would depend upon the demand upon us, and I can form no opinion.

4517. Supposing 1,000,000*l.* had been sold in the market, what effect would that have had upon the market?—I cannot tell.

4518. Can you form no conjecture?—I can form no conjecture.

4519. At that time was there not a general scramble for bank notes; was there anybody in the market who was desirous to purchase?—A very little depression in the price of securities would have brought many notes into the market.

4520. Can you state how small a depression would have had that effect?—I cannot.

4521. Probably you do not agree with your brother director, Mr. Horsley Palmer, in the opinion that he has expressed; in question 2129, he is asked, "Do you think that, under those circumstances, any parties would have been found to purchase the stock?" and his answer is, "My own opinion is, that we should never have succeeded in selling it; but I believe the Governor of the Bank is of a different opinion; he is of opinion that we might have effected a sale; the question has been put to me in another place, whether I thought it practicable that 2,000,000*l.* could have been sold at that time, and to that question I gave an answer, that I thought it could not; but that is a matter of opinion." What is your opinion upon that point?—I do not agree with Mr. Horsley Palmer that they could not have been sold; 2,000,000*l.* could have been sold; it might have caused a reduction of price, but what that reduction would have been I cannot tell.

4522. In question 2130, he is asked, "If you had failed in your attempt to sell, what would have been the result, and his answer is, "If we could have effected a sale at all, the effect would have been a fall of stock to 60 or 65." Do you concur in that opinion?—I do not; I believe I could have sold 10,000,000*l.* of stock, or at least a very large amount indeed, at 60, far exceeding 2,000,000*l.*

4523. Do you believe that a sale of a large amount of stock by you would have acted very materially in increasing the pressure upon the money market?—I do not think it would; the pressure in the money market was more upon the commercial world from commercial discredit than upon the holders of stock.

4524. To what quarters do you suppose the Bank would have looked to purchase that stock?—I believe many of the parties, bankers and others, who had hoarded bank notes would have been very glad to have purchased stock at a very reduced rate.

4525. Do you find that at a time of public pressure your private deposits increase or decrease?—Without referring to the accounts, I can hardly tell; I think sometimes they increase under such circumstances, parties placing deposits in our hands for more perfect security.

4526. Would not those persons be the persons most likely to be tempted to purchase by the very low price of Consols?—I do not think they would be most likely to be tempted; they would be likely to be tempted in common with other people.

4527. They would be likely to be purchasers of Consols?—To some extent.

4528. And exactly to that extent you would fail in your object of drawing in notes by the sale of Consols?—To that extent we should.

4529. You have been asked about the Exchequer bill market; you have stated that the Exchequer bill market has been very much altered from what it was when you first knew it; do you attribute any part of that alteration to the Exchequer bills ceasing to be payable for the revenue, as they were before the Act that was brought in by Mr. Spring Rice?—No, I do not.

4530. Do not you think that Exchequer bills would be more available securities if persons knew that at any time when it suited them, they might make payment of the revenue in Exchequer bills, instead of in Bank notes?—They would, in that case, be more available as securities; but they would be very inconvenient to the

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the Government; it would be almost impracticable for any Chancellor of the Exchequer to carry on the business of the country if Exchequer bills could be paid in at any time instead of money.

4531. Every Chancellor of the Exchequer so carried on the business till Mr. Spring Rice became Chancellor of the Exchequer, was not that the fact?—I was not aware of it.

4532. Before the Act was passed by Mr. Spring Rice, a holder of Exchequer bills having money to pay into the revenue, might at any time tender them in payment?—My attention was never drawn to that fact.

4533. Now that your attention has been drawn to it, do not you think that the alteration in the law changed the character of Exchequer bills?—It changed their character, but it was a very desirable change.

4534. Was it a desirable change for those persons who had invested their money in Exchequer bills, in order to have it ready for the payment of the revenue when they wanted it?—It might have been an inconvenient change at the time to those who held Exchequer bills for that object.

4535. Was not that one cause which led to the great depression of Exchequer bills, which went down to 30s.?—If parties had had the power of paying the revenue in Exchequer bills at 100*l.*, they would not have gone down to 30s., but the change mentioned did not in any way lead to the depression in 1847.

4536. Then the depression was owing to the alteration of the law?—If that power had existed they could not have gone down to a discount; but other causes reduced the Exchequer bill market in 1847.

4537. There was a question that Mr. Thornely put relating to railway calls; will you explain how the railway calls affected the prosperity of the year 1847?—It took for another object, capital which had been invested or employed in business.

4538. Did it in any way affect the circulating medium of the country?—I do not think it did; it was a mere transfer of the circulating medium from one object to another; the circulating medium is very different from the capital of the country, though the metallic circulation is part of the capital of the country.

4539. Will you state in what way the investment of the capital of the country in railways affected the prosperity of the country?—Those who had capital employed in business, investing it in railways, reduced in course the amount of their capital employed in business, and therefore became more dependent upon credit; it also affected the deposits in the banks in the country, inasmuch as persons who hoped to obtain a high rate of interest on railway shares were not content to leave their money in the banks at a lower rate of interest.

4540. That does not lessen capital?—It lessens capital employed in business, inasmuch as, supposing a person to buy railway shares, and to draw his money out from the Bank in which he had placed it in deposit, the banker would have less capital to advance for the purposes of commerce.

4541. Would not that money find its way back, afterwards, into the banker's hands?—Yes, after a very long course.

4542. Do you consider that it would be a long time before the money would come back into his hands?—A very long time.

4543. Where would it lie?—It would go into the hands of all the manufacturers and labourers and shopkeepers.

4544. Is not that the usual way that capital circulates?—Yes; but the abstraction of capital from one occupation to another is always attended with serious inconvenience to the occupation from which it is abstracted.

4545. That may be an inconvenience to individuals; but how does it affect the nation?—That which applies to an individual applies to a number of individuals; if I had capital employed in business, and I invested that capital in railways, I could not carry on my business with the same efficiency as before.

4546. But the capital is still employed in productive labour, and the employment of productive labour in one way is as beneficial to the nation as the employment of it in another way?—Everything that tends to the employment of productive labour is desirable; but if you take away capital which is employing

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productive labour in one trade and employ it in another, the trade from which you take it must suffer inconvenience.

4547. But, in the same proportion that the employment of productive labour is decreased in one trade, it is increased in another; therefore, how can there be any national inconvenience resulting from it?—If any business is carried on with an inefficient capital, it not merely affects the individual carrying on business with inefficient capital, but it affects those who are carrying on business with fair and efficient capital.

4548. Mr. Thoracly.] Is not the investment of 3,000,000*l.* or 4,000,000*l.* a month in railway property, a withdrawal of capital from reproductive branches of industry, to be embarked in undertakings that are immediately unproductive?—I think they are not immediately productive, inasmuch as they do not yield any return till they are completed.

4549. Mr. Spooner.] Does that lessen the amount of productive labour employed?—It lessens the amount of immediate available production, inasmuch as a railway is not available for profit till it is completed.

4550. But does not the capital so diverted from one channel to another channel, employ as many labourers, and therefore tend to as much consumption of food, and as much payment of revenue, and as many of those general national benefits, as would have been created if it had continued to be employed in the other channel? It may employ as many labourers; it may tend to as great consumption of food, and it may increase the amount of revenue, but it does not follow that it tends to as much advantage to the country as the steady employment of that capital where it originally was.

4551. Can you give the Committee any information as to the pressure which existed for a short time in 1846 from the payment of the deposits of railroads into the Bank of England?—I believe I can.

4552. Were you Governor of the Bank at that time?—I was not; I ceased to be Governor in April 1845.

4553. There was considerable alarm in 1846, at the time that it was supposed there were 11,000,000*l.* of money to be paid into the Bank; will you state what took place then?—I have already stated in evidence that the panic arose from a misunderstanding as to the operation of those payments; there was an impression and a report very widely circulated that 10,000,000*l.* of circulation would be taken out of the money market; whereas my own opinion was, and I expressed that opinion strongly, that there would be no inconvenience whatever, and that as soon as the money was paid into the Bank it would be lent out again.

4554. Was there not some communication made to the Government by the Governor of the Bank?—There was no representation of any inconvenience by the Governor of the Bank, that I am aware of.

4555. Sir William Clay.] With reference to the questions which have been just asked you, is it not your opinion that the absorption of money in railways at least has this tendency, that if you employ the capital of the country to form railways, you cannot at the same time employ it to do something else?—Certainly.

4556. For instance, if you are employing 1,000,000*l.* of money to form a railway, that 1,000,000*l.* of money would not build cotton mills at the same time?—Certainly not.

4557. Or buy raw cotton?—Certainly not.

4558. Whether for good or for evil, ultimately to the country, the absorption of capital in the formation of railways takes away capital from its previous employment, and does limit the power of the country to expend money in other ways?—Certainly; neither a country nor an individual can expend capital in one way, and have that capital to expend in another.

4559. Questions were asked you, which tended to show that the Act of 1844 had increased the profit of the Bank; is it not true that that Act, if it had any bearing at all on the profit of the Bank, must have tended to decrease that profit, inasmuch as it cut off one large source of banking profit, namely, the issuing bank notes upon securities?—In the correspondence at the time, it was stated, that we considered that the Act of 1844 deprived us of the profit which we might

might reasonably have expected from the increase of our issues; and I do not think the increased profit of the Bank in the two half-years of 1847 and the one of 1848 resulted from the Act of 1844, but from the large deposits in the Bank; it was a mere banking profit, and had nothing whatever to do with the Act of 1844.

4560. Supposing the Act of 1844 had not been passed, at the time when the rate of interest was high, might not the Bank, by issuing notes, looking at that issue as a single operation, and unconnected with the chances of future danger, have made a clear and distinct profit?—Yes, as they did when there was a restriction as to the payment in specie.

4561. In point of fact, is there anything in the Act of 1844 which, by itself, and of itself, tends to increase the profits of the Bank?—On the contrary, I consider that the Act of 1844 rather tended to diminish the profits of the Bank, at the same time that, by restraining the issues of other parties, it increased its security.

4562. Might it not have been regarded as a matter of course that a bank possessing so large a capital, and holding such large deposits as the Bank of England, must have found its profits increase at a period when the market rate of interest was as high as it was in 1847?—Its profit must, as a matter of course, increase under such circumstances.

4563. Therefore, the increased profit of the Bank, though following the Act of 1844 in order of time, it is not to be traced to that Act?—It is not to be traced to it in any way.

4564. You were asked whether the tendency of the Act of 1844 had not been to increase the pressure, for this reason, that, whereas the highest amount of interest in 1839 was 6 per cent., the highest rate of interest in 1847 was $9\frac{1}{2}$ per cent.; but is it not true that that rate of interest depended upon circumstances over which the Bank had no control; and is it not true that the disturbing elements operating on our monetary system were far stronger in 1847 than they were in 1839?—I consider that they were very much stronger. That we never had so extraordinary a period as in 1847, if we look to the enormous importation of food, to the demand for capital for employment in railways, to the breaking up of some of the largest establishments connected with India, and the failures which occurred in the corn trade, all tending to make the pressure in 1847 heavier than the pressure in 1839.

4565. From your long experience of the working of our monetary system, in your opinion, is there any period, not only within your personal observation, but as far as you know historically, in which so many extraordinary circumstances combined to disturb our monetary system as in the year 1847?—In my opinion, there never was a combination of such extraordinary circumstances pressing upon our monetary system as occurred in 1847.

4566. You were asked some other questions, which would lead to the opinion that the Act of 1844 must have been prejudicial to this country, inasmuch as it limited the power of the Bank to grant accommodation in the last resource when other sources of banking accommodation were closed to parties who applied; do you conceive it to be the business of the Bank, without reference to the amount of its deposits, or of its capital, to afford banking accommodation to all parties who apply to it?—I do not think it is the business of the Bank to afford accommodation to everybody who wanted it, or that under any circumstances it is practicable to do so.

4567. Might it not lead to the abstraction of all the precious metals?—It might lead to the inconvertibility of the note, and to the export of all the precious metals, if the extension of accommodation is attempted by the issue of additional notes.

4568. You were asked whether the Government were likely to be as good judges of the circumstances under which the relaxation, if any, of the law of 1844 should take place, as persons connected with the mercantile or banking world; is it within your observation, that any of the improvements of our monetary system have ever proceeded from the suggestions of the mercantile and banking interest; or on the contrary, have they not all proceeded from members of the Legislature, and Ministers and persons not connected with our commercial and banking system; for instance, the Report of the Bullion Committee in 1810, the Act of

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1819, the Act of 1826, and the Act of 1844?—They all proceeded from the Government; the principles of the Act of 1844 was suggested by an individual or individuals.

4569. As far as your observation has gone of our monetary system, the great improvements that have taken place in our system have been in no degree owing to suggestions coming, as far as you know, from the commercial or banking interests themselves?—Not as a body, but individuals have afforded very valuable suggestions to the Government.

4570. You do not feel quite clear upon the point, that the power to judge as to the relaxation of the laws governing our monetary system would be safer in the hands of the commercial and banking interests than in the hands of a responsible Minister?—I do not think it would be so safe in any hands as those of a responsible Minister.

4571. Mr. Glyn.] Have you an account showing the average amount of bank post bills in circulation in the October quarter, 1843, 1844, 1845, 1846, and 1847, and the number of days they remained out?—I have; with the sanction of the Governor, I present this account.

[The Witness delivered in the same, which is as follows:]

AN ACCOUNT, showing the Average Amount of BANK POST BILLS in Circulation, in the October Quarter 1843, 1844, 1845, 1846, and 1847, and the Number of Days they remained out.

				Amount.	Days out.
				£.	
1843.—October Quarter	-	-	-	781,000	32·7
1844.—October Quarter	-	-	-	776,000	32·3
1845.—October Quarter	-	-	-	752,000	37·0
1846.—October Quarter	-	-	-	681,000	29·2
1847.—October Quarter	-	-	-	626,000	28·2

4572. Sir William Clay.] With regard to the opinion of Mr. Horsley Palmer, as to the power of the Bank to strengthen itself by a sale of stock, in case of their deposits being called for, I will refer you to the opinion which was given by the Governor of the Bank upon that point. The Governor of the Bank had stated in one of his early examinations, that in his opinion the Bank could have sold 1,000,000 £. of stock during the week preceding the issue of the letter, without depressing the price; he at first said more than one per cent., but afterwards he said he felt confident that it could be done without depressing the price in the market more than 5 per cent., and he subsequently stated, that having referred to the Bank broker, and asked him whether in his opinion the judgment of the Governor was correct upon that point, the Bank broker stated that he was perfectly correct, and that he could have sold 1,000,000 £. of Consols without a larger depression than 5 per cent.; do you agree with the Governor in that opinion?—I agree with him in that opinion; I was not aware at all of the evidence he had given.

4573. Chairman.] It has been represented to the Committee that some convenience would arise from the Bank being allowed to hold a larger proportion of silver than it holds now; what is your opinion upon that point?—I think it might be desirable to do away with the restriction as to the proportion of silver, as compared with gold that the Bank may hold, or to extend the limit; but if the drain of bullion had been to the continent instead of America, the limitation would not have been felt, as the silver would have been first available to meet it.

Martin,

Morris, 18^e die Aprilis, 1848.

MEMBERS PRESENT :

Mr. Glyn.	Mr. Beckett.
Mr. Spooner.	Mr. Thornely.
Mr. Chancellor of the Exchequer.	Mr. Cayley.
Mr. Hudson.	Mr. Wilson.
Mr James Graham.	

THE RIGHT HON. SIR F. T. BARING, BART., IN THE CHAIR.

Joseph Pease, Esq., Examined.

4574. *Chairman.*] YOU are connected with the mining districts?—Yes, with the mining and the manufacturing districts in the county of Durham.

4575. Are you connected with any bank?—Only as acting treasurer of some considerable railway companies, but not as taking out a license as a banker.

4576. Where is your residence?—Near the town of Darlington.

4577. Have those districts suffered much from the commercial difficulties during the last year?—The last year has been a time of almost unprecedented difficulty in business.

4578. When did you first experience those difficulties?—The year 1846 might be termed a year of about average employment in our district; every one seemed pretty well off, but the rate of profit was acknowledged low; in 1847, the difficulty seemed very much to keep pace with the difficulties of obtaining capital on moderate terms. Towards the close of the year an utter want of confidence in all parties seemed to supervene; and up to this moment it is by no means restored.

4579. In the early part of 1846, did you consider trade, as far as you saw it, in a wholesome state?—There were no indications of its not being in a wholesome state; we were aware that as regards particular interests there appeared to be an excess of investments; but as respects the ordinary current business of the country in staple manufactures, its mining and its agriculture, things seemed to be in a wholesome state.

4580. Will you state, as far as you saw, what were those interests which you consider had been over speculated in?—There were indications in 1846 of a disposition to invest too freely, particularly in railroad enterprises; I am not aware that there was what could be called speculation in manufactures, and the pursuits of agriculture kept their wonted pace, I think.

4581. What were the symptoms, as far as came under your knowledge, of over-investment in railway enterprises?—Though I do not entertain the same opinion that some parties do, as to the source from which all our railroad capital is derived, it was quite obvious that there were parties seeking opportunities of investing a larger amount of capital in railway enterprise, than appeared to be quite consistent with their station and their supposed means.

4582. Did you see any symptom of capital being withdrawn from its usual channels for the purpose of its being invested in railroads?—No, it was an indirect action, as far as it came under my notice; the funds that would otherwise have been lying with country bankers, or which might in the ordinary course of things have been invested in public securities, came either directly or indirectly as loans, or advances upon shares, or as a change of securities effected by trustees and others by special private arrangement, into the hands of railway companies. The last operation was, I should be inclined to think, a very large one; funds intended for Government or real securities were, by special arrangement among parties and trustees, handed over to railway companies.

4583. Did you observe any symptom of trade being in any way cramped by money being withdrawn from it for the purpose of being invested in railroads?—

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18 April 1848.

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There was no appearance of any want of floating capital till the early part of 1847.

4584. Will you state to the Committee what you consider were the causes of the commercial difficulties in 1847?—The first cause of alarm to those who were watching the progress of events was, the anticipated importation of food from abroad, in consequence of the state of things in Ireland at the close of 1846; but seeing that the rate of discount continued low, and that money was easily obtained, parties seemed lulled into a kind of security until a decided demonstration was made by the Bank of England, which was of course carried out by private bankers, particularly in the country; up to that time there did not appear to be any decided pressure upon trade, but the moment that it was seen that the Bank of England was acting so as to reduce its circulation or to protect its reserve, alarm was then taken by country bankers and others, who had thought the conduct of the Bank of England for some time too liberal, and then every sort of action which is familiar to gentlemen connected with commercial pursuits took place, by which overdrawn accounts were called in; money now became very scarce, discounts very difficult, and certain classes of paper were wholly refused, which had up to that time been fairly current in the market, and every one seemed to act upon the *save himself* principle.

4585. When did this first commence?—I think February, March and April were the times at which the pressure seemed gradually rising.

4586. You felt no pressure till the beginning of February?—No pressure to be regarded as at all trying, to men carrying on their business in what I consider a regular manner.

4587. The failure of the potato-crop, and the want of corn, was the origin of the difficulties?—I am inclined to consider it so, though many of those who were as I said before watching events, being aware that their trade was dependent upon what many in the manufacturing and mining districts consider an arbitrary course of things; viz. the exchanges, over which they have no control, were in some degree of alarm of the danger, that there would be a decided balance of trade against this country, and that the consequences of that upon trade were *sure*.

4588. You do not attribute any of the difficulties to the speculation in railways?—I do attribute a portion of our difficulties to the over-investment of capital in railways; but when I look to what has fallen under my own notice in print, and when I consider what I have heard from other parties, I think it has been greatly exaggerated; I think the funds that have found their way to railway enterprises have withdrawn a much smaller extent of money from the general commercial enterprises of this country, than those who have not carefully watched the state of things have supposed; but I do not hide from myself that in all these things there is a secondary effect produced from that cause.

4589. Have you at all inquired what amount has been withdrawn from foreign securities, and placed in railway investments in this country?—I have no means whatever of knowing; I have observed lately a disposition on the part of foreigners to invest their funds in the purchase of railway shares, and such shares particularly as are called preference or guaranteed shares.

4590. When you say lately, what do you mean by that term?—In the last two or three months, and I have been struck by seeing transactions which have taken place in the purchase by foreigners of railroad stock.

4591. I was not so much speaking of the money of foreigners, but I was speaking of the money of parties resident in this country which had been invested in foreign funds, the foreign funds having been sold, and the money brought over here and invested in railway stock; have you any means of knowing the extent of such transactions?—I have not.

4592. Do you consider that the alterations in the tariff have been any cause of the difficulties that the country has experienced?—I have never looked upon the alterations in the tariff as injurious to the trading interests of this country, or as likely to create difficulties, further than as showing from time to time a power of competition on the part of our foreign neighbours, for which I think a very large portion of the commercial community was unprepared.

4593. I do not refer now to the general policy of relaxing our commercial code; but I am speaking of the time of its happening, and the effect thereby produced at that time?—My allusion was, that in addition to the peculiar difficulties, there was some derangement of the general course of trade produced, which

which certainly placed many descriptions of business in great temporary difficulties.

4594. That resulted from the alteration of the tariff?—Yes.

4595. An effect would have taken place under any circumstances; such an alteration could not have been made without affecting the trade of this country?—Certainly not; I have no wish to hide from myself that there has been an interruption to the course of trade from other circumstances as well as that.

4596. Though not the cause, those alterations may, to a certain extent, have aggravated the evil?—I think they did.

4597. What is your opinion of the Act of 1819 and the Act of 1844?—The Act of 1819, as regarded its general principles, I think, met with my acquiescence, as far as I could understand it; as far as regarded the protection of the country against the depreciation of paper, I was in favour of it; the Act of 1844 took me quite by surprise; I viewed it in two lights; one as an attempt to enforce discretion by Act of Parliament on the Bank of England, and another as a kind of sinister effort to reduce prices in this country, and to obviate any free trade measures that might seem to be forcing themselves upon the notice of Government. I viewed it as intended to make capital dearer, and the better enable us to support our position with the Continent in the exchanges, to increase our exports and to balance our imports.

4598. Will you state how you consider the Act itself has worked during those difficulties. First, let me ask you, do you consider that the Act was the originating cause of the difficulties?—Yes, so far as the Act restricted the issues of the country bankers; at very short intervals, the bankers, according to the exigencies of their respective localities, found themselves extremely crippled; the effects of the Act seemed almost unknown, at least it did not appear to work in any way decidedly till the latter end of 1846, or the beginning of 1847; it might have been in existence, or it might not, except as regards particular cases, and the circumstances in particular localities; but speaking generally, it did not appear to operate; such is my view of it.

4599. Were the difficulties you speak of with regard to the issues of country bankers experienced before the middle of 1846?—Yes, the country bankers in commercial and agricultural districts complained that their issues were absorbed, and the price of their securities not justifying their making sales, and their reserve not allowing of their accustomed advances, they were obliged to turn away even their best customers, and to refuse even when property was tendered to them as security, those advances which would have enabled the parties to wait for a better market, and thereby they compelled a man on the rent-day, or immediately afterwards, to sell, be the price what it might.

4600. That was the complaint that was made in districts of which you yourself are cognizant?—Yes, my own friends complained of being obliged to restrict, particularly in agricultural districts, their advances to tenant farmers and others, their reserve not allowing of their making the usual advances, and the price of securities not justifying the sale of them, and they being unable to issue notes as they had done.

4601. You are of opinion that the Act of 1844, to a certain extent, checked the issue of private banks under certain circumstances?—There can be no doubt that it did, and under peculiar circumstances with peculiar severity; I am not speaking against any restriction upon the issues of private banks under the circumstances in which private banks and joint stock banks are now placed.

4602. Are you favourable to the restrictions imposed by the Act of 1844, upon the issues of private banks?—I should have approved of the restriction if there had been some power in country bankers to have deposited securities, and increased their circulation when the exigencies of the district required it.

4603. As I understand you, that effect, whether for good or for bad, had shown itself before the difficulties of 1846 and 1847?—Yes, I think it had shown itself in many instances.

4604. In other respects you think the Act was inoperative till the difficulties came?—I think the Act was inoperative generally, till the difficulties came.

4605. What is your opinion on the working of the Act when the difficulties did come; do you consider that the Act was any originating cause of the difficulties?—I have always apprehended that the Bank of England would have adopted a different line of policy in the exercise of its best discretion, from that which the Act compelled it to adopt. So soon as it felt the necessity of raising

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its discounts in 1847, as I have already stated, the country bankers took the alarm, and a general want of confidence began to manifest itself. As the Bank was obliged still to raise its rate of interest, every one seemed apprehensive; country bankers increased the amount of bullion in their hands, and increased their reserve of notes, and many of us who were in the habit of keeping, perhaps a few hundred pounds of gold and bank notes, immediately laid up thousands in our desks and drawers, as there was an uncertainty about discounts, and about our bills being current in the market, a general hoarding ensued, and the Bank being completely alarmed at finding its reserve brought so low by the stringency of its measures still further alarmed us, till at last we came into a position of great pressure generally. I apprehend, without the Act, the Bank could not have taken the course that it did.

4606. Supposing there had been no Act of Parliament, what course would you have thought it wise for the Bank to have pursued, under the circumstances of a considerable drain for gold?—I think that the mischief began by making money too cheap, and that rendered the subsequent action of the Bank necessary.

4607. Do you consider that the Act compelled the Bank to reduce its interest as low as it did?—No, certainly not; I have stated that up to the early part of 1847, the rate of interest being very low, and I think too low, taking into account what I consider to be the rather ambiguous position of the Bank of England, as a company, it was unwise to reduce it so low, but the Act was no cause of that, and when it became necessary to protect itself as regarded its reserve of bullion, the Act was the cause of that, and the Bank acted with a stringency with which, I think, if it had been left unfettered, it would not have found it necessary to act.

4608. When do you speak of money being too cheap?—In the course of 1846 I think that money was $2\frac{1}{2}$ per cent. to $3\frac{1}{2}$ per cent. in the market.

4609. Mr. Spooner.] You allude to August 1846?—Yes, up to 1847, it ranged from $2\frac{1}{2}$ to 3 or $3\frac{1}{2}$ per cent.; therefore I think money was too cheap, when the Bank said that they would discount fair paper, very different paper from that which they would latterly have accepted at all at 3 per cent. The Bank discounted at 3 per cent., and private houses discounted at less.

4610. Chairman.] You stated that you thought that the Act had compelled the Bank to pursue a course which was contrary to that which it ought to have pursued; and I am anxious to ascertain, if you can state it, what is the course which you think, under the circumstances, the Bank ought to have pursued, supposing there had been no Act of Parliament existing?—I think the Bank, if it had had the power of issuing notes to a greater extent, might have shown to the country that it had a reserve; but when it was apparent that the Bank had no reserve, and that it was entirely at the mercy of the London bankers and the country bankers, the country became aware that the Bank might stop any day; without the Act it would not have stopped, for it might have issued paper; if it had had the power of issuing 1,000,000 or 2,000,000 of 1*l.* notes, it would have been in a situation to recover the gold, and place itself, so far as regards the foreign action upon the gold, in a fair position.

4611. The rate of interest charged by the Bank being 3 per cent. in August 1846, am I right in supposing that you would have recommended an increase of interest, or would you have continued money at that rate of interest up to the end of 1846?—No, certainly not; as far as regards my own private opinion, so soon as I saw that there would be a necessity for a considerable importation of food, that would create my alarm, and the Bank under those circumstances would have been justified in raising, and I conceive ought to have raised the value of money, and to have endeavoured in that way to meet the circumstances.

4612. The raising the rate of interest in the Spring of 1847, met with your approbation?—Yes; I think it was not adopted in sufficient time; and I think the Bank of England almost always acts behind the cause; it waits for the effect, and then endeavours to meet the cause.

4613. Your opinion is that the rate of interest ought to have been raised earlier?—Yes; but I am speaking with reference to the ambiguous position of the Bank of England, it being connected in some way or other with the Government, it frequently appears to me to act as a private individual would act, and then at other times it appears to act as having certain national objects to sustain or difficulties to meet; so that a country tradesman, like myself, has no idea what the policy of the Bank is.

4614. Up

4614. Up to what time does your observation attach that the Bank, in consequence of the Act of 1844, has done that which you think it ought not to have done; and with respect to what period is it that you disapprove of the conduct of the Bank?—My opinion is that the Bank of England kept the rate of interest too low the last three or four months of 1846, and, I think, the first three months of 1847; the lowest rate was 3 per cent.; and it continued so till the 10th of January 1847, when it was raised to 3½ per cent. and in the following week it was raised to 4 per cent., and continued low till August 1847.

4615. Do you consider that it was the operation of the Act that compelled the Bank to continue its rate of interest so low at the end of 1846?—No; I have stated that I believe that the Bank was then operating exactly as any private banker would have done, looking to the abundance of the floating capital, and the necessity of so acting, in order to keep up a fair banking connexion; but that the Act then operated upon that which had been previously an excess of liberality, and brought about the extreme stringency of the following periods; and that that stringency would not have been what it proved to be, if the value of money, which I think it was in the power of the Bank to some extent at that time to regulate, had been gradually increased at an earlier period.

4616. You would have taken stringent measures earlier?—I do not consider that there is anything that can be termed stringent, till the rate of interest or discount rises above 5 per cent.; I would have taken precautionary measures earlier.

4617. And you think, taking precautionary measures earlier would have mitigated the ultimate difficulties?—Yes; it would have prepared men's minds in the country for the state of things which, by the suddenness of the pressure afterwards, nearly overwhelmed them.

4618. Is it your opinion that the suddenness of the measures taken by the Bank produced a great deal of the alarm of April 1847?—I do not think the suddenness of the measures of the Bank was the sole cause of the alarm; I think the knowledge of the immense importations of food that were taking place, and the position in which the Bank must necessarily be placed under the Act of 1844, created great alarm.

4619. What was the effect produced by the Government letter of the 25th of October?—I was in London two days preceding the issue of that letter, and I then found it impossible to transact business of any kind, except with Bank of England notes. For bills, and bills on the first houses in London, having only three or four days to run, Bank of England notes could not be obtained, except as a personal favour: the first houses in town answered that they would take them with pleasure, but they really had not notes at command.

4620. Mr. Spooner.] Did you offer them to the Bank of England?—No; I had no account with the Bank of England.

4621. Did you ask the parties whether they could get those bills discounted by the Bank of England?—No, I did not ask them that question, but I knew that they had accounts at the Bank of England.

4622. Chairman.] Was the effect of the issue of the letter at once put an end to the difficulty?—It was immediate.

4623. With your knowledge of the district in the north, in which you reside, supposing that that letter had not been issued, and the Act had been carried into full effect, what is your impression of the effect that would have been produced in that district?—My own impression is, that almost all commercial payments would have ceased the following week, speaking generally, and the workmen would have remained unpaid, for the bankers had universally refused to discount; no paper was discounted in the north; and expecting, in the confusion, to have to take up the private circulation, they would not part with either gold or bank notes; I was so fully aware, from what had occurred in Newcastle, of what the consequences would be upon the then state of things, that I started for London immediately, and I consider that it was only by the personal favour of my friends that I succeeded in my arrangements, although having a very large amount of what had, up to that time, been considered first-rate bills in my pocket.

4624. What is the present state of your district?—Extremely quiet politically, but most excessively prostrated in every department of trade; there has been no return of confidence in business that I can see at all.

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4625. Mr. Copley.] To what do you attribute that want of return to confidence?—I think it arises from an apprehension, or a want of confidence as between man and man; from persons of undoubted property having been driven into such a very ambiguous position by the pressure of the last six or eight months; and another cause is, the utter unwillingness of the very best men that we have, to invest capital in business, to be conducted upon the usual system of credit and confidence, from the fear of being placed in a similar position; and likewise country bankers are acting precisely upon the same principle; they will not now discount half the amount upon undoubted bills for their connexions, that they were accustomed to do.

4626. Are not the trade and manufactures of this country generally carried on upon a system of credit?—I think it may be considered more or less almost universally the case, that they are carried on upon credits, some of shorter and some of longer dates.

4627. Do you see any prospect of a resumption of mercantile undertakings, or do you see any disposition in manufacturers or tradesmen to re-invest their capital in trade without some measure or other with a view to restore confidence?—I think that the most discouraging part of the case at present is, that no person of undoubted property seems inclined to go into business again without very great and mature deliberation, remembering the dreadful harassments of the last six or eight months; no terms I can use can describe the pressure and the distress that every person in extensive business has passed through in the last six or eight months in this country; and the number of capitalists determined to be out business, at almost any sacrifice, is very large.

4628. Do you mean to say that houses of the first character were in a state of difficulty?—Undoubtedly.

4629. Are you now speaking of the counties of Durham and Northumberland, or of your friends generally throughout the country?—I speak of every person carrying on business of every description; I was in London the two days immediately preceding that upon which the letter was issued; and I think I never saw persons more pale or anxious universally than they were then, and I am sure I could feel for them.

4630. If a first-rate merchant in London had unexceptionable securities to offer, could not be obtain bank notes for them?—By no means.

4631. Would you say that one of the circumstances which deterred men from re-entering into commercial engagements, was the fear of such a state as we had in April 1847 returning again?—Yes; perhaps the Committee will allow me to amplify my answer a little. Business in this country has been going on for years on very small profits; the competition from abroad under the new tariff and from other circumstances, has increased; and any violent action upon the currency, raising the value of capital, especially when it comes in the way it has done in the last few months, is quite sufficient to deter any person from engaging largely in business unless he sees the prospect of more settlement.

4632. Will you explain what you mean by the term "more settlement"?—I have already shown that I consider that we were brought into this state of things by an action on the currency of the Bank of England which might have been avoided, and my opinion that there must be a power somewhere to meet such an emergency as we have passed through lately, otherwise the best of our men will be overwhelmed, without foreseeing the cause.

4633. Was trade brought in any degree to a state of barter in October 1847? I should say that there was a cessation of values; nobody seemed inclined to buy or disposed to sell; the medium of exchange was absent, and barter was so foreign to our ordinary habits, that where it existed it did not amount to anything more than an exception to the general rule.

4634. Do you know any instances where bills of exchange of a longer date were sold for bills of a shorter date, in place of having those bills regularly discounted by means of bank notes?—As regards payments that I had a right to ask for, and to receive in notes, I felt it necessary to meet the wishes of my friends by taking short bills; notes of the Bank of England or gold I found that it would be inconvenient to spare in several instances, and I took short bills because I could not get gold or notes.

4635. Did bankers' drafts at short dates increase?—I do not think the bankers increased

increased their liabilities under any circumstances where they could possibly avoid it; but foreseeing the difficulties, they hoarded everything that was currency.

4636. With regard to private bankers, do you know any instance of a customer of a bank coming to the bank to have his paper discounted, and the bank offering him, in lieu of bank notes, its own drafts, at short dates, on London?—That did not come under my notice; but I was told of innumerable cases in which parties having their bills discounted, accepted, in lieu of Bank of England notes, drafts on London.

4637. Would you not say that that was rather an evasion and contravention of the Act of 1844?—It is a substitution; but I should hardly give it the term contravention, or evasion of the Act.

4638. The system of currency under which we exist being based very much upon this principle, that accommodation should be limited when there is a flowing out of gold, would you not say that that practice on the part of private bankers interfered with the operation of the Bank of England to restore the exchange. You are aware, probably, that there was a disposition some years ago to establish a single bank of issue, in order that the currency might be more stringently managed under an adverse exchange?—I am aware of it.

4639. You are aware that the Act of 1844 was intended to give the Bank of England a greater power over the circulation?—I believe it was.

4640. You are aware that under the Act of 1844 the country bank circulation was restricted?—It was.

4641. All those several restrictions were intended to give a uniformity to the circulation, in case the Bank of England thought it expedient to put a check upon accommodation?—Yes, I understood that it was intended to place the Bank of England in such a position, that it could by its measures operate upon the exchanges.

4642. Then that power remaining in the hands of private bankers, of giving accommodation to their customers by means of drafts at short dates, had the effect of contravening the Bank Act of 1844, had it not?—Yes; but at the same time I was well aware, as a man of business, that that was a thing that could not be repeated. If I gave an individual a draft at ten days upon my friends in London for 50*l*., under the peculiar circumstances of the times, and I had issued 50 such in a day, I could not continue to do so without damaging my credit.

4643. If you had been one of those few individuals at that time who happened to have a monopoly of credit in the country, it would have given you a very gigantic power of issue and of gain, as compared with your neighbours?—Yes, but it could only subsist for a time.

4644. It could only exist in the hands of a few individuals who happened to have most undoubted credit?—Yes.

4645. Sir James Graham.] Did I rightly understand you that those issues were drafts at different dates, or were they bills?—Drafts upon the bankers in London, payable to order at 21 days.

4646. Does the bankers' license cover drafts as well as bills?—Yes, at 21 days.

4647. Mr. Glyn.] Are the drafts payable to bearer?—They are payable to the party, or order.

4648. Sir James Graham.] Not to bearer?—Not to bearer.

4649. You call the paper payable to order drafts?—Yes, when drawn with three names, the drawer, the acceptor and the payee; they are called drafts, but are really bills.

4650. Mr. Cayley.] Would you say that one of the reasons which prevented any revival of trade, was the apprehension of a drain of bullion in consequence of the present unsettled state of the Continent?—The present unsettled state of the Continent has an effect upon many important departments of business at this juncture, arising from a latent fear. Men are afraid of something like a re-acting of last year, arising from a Bank pressure, or any other source; for men of business feel that they have no means of knowing what is coming.

4651. The Committee understand you to be of opinion, that the mercantile public cannot be in a comfortable state of mind till the Act of 1844 is repealed?—The commercial interests will never feel comfortable till they know that there

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will be a discretionary power somewhere to meet such an emergency as we have been passing through.

4652. Have you given consideration to the question where that relaxing power should be placed; whether with the Government, or with the Bank of England?—It was intended to be with the Bank of England, and I cannot see, if properly constituted, any better tribunal than the Bank parlour; but the Bank is so iron-bound, that the directors could not exercise even their common sense. I do not know where the discretion is to be, if it is not in the Bank parlour; all men are flesh and blood.

4653. As to the prospects of trade and manufacture; supposing trade does not revive, what will be the state of the working classes in your district, and in the districts with which you are acquainted?—We have nothing to fear from the population if we can give them four days' work a week; but I am afraid that it is likely to come far below that; four days' work a week is now the maximum with us in the mines and the manufactories. The state of the population has been one of great distress, borne with admirable quietude and patience; we have nothing to fear, except from a long continuance of bad trade.

4654. Did I understand you to say that you objected to the principle of our currency fluctuating with the foreign exchanges?—I do not think it possible to prevent that.

4655. Did you not speak of the exchanges ruling the amount of currency?—I stated that I understood the intention of the Act of 1844, was to govern the currency with relation to the exchanges, but the way in which it was carried out brought the commercial interest unavoidably to a crisis which, under the Act of 1844, they could not by possibility foresee, and over which they had no control.

4656. If our circulation is to fluctuate with the exchanges, how can you possibly have any certainty that you will again not have those fluctuations in trade which you had in 1847?—If any party is watching the exchanges, and through his discretion or wisdom acts so as to meet those fluctuations, the amount of the extremes will be materially altered, but still there will be fluctuations; I do not seem to catch the idea of any system of currency which will not be liable to certain fluctuations.

4657. If we are to import from time to time 8,000,000 *l.* or 10,000,000 *l.* of corn, which is to be paid for in gold; if our circulation is to fluctuate exactly with that efflux of gold, how can you expect anything but fluctuations in the state of trade?—If I stand by the principle of a gold currency, or what is equivalent to a gold currency, and it is found that under certain circumstances we become so impoverished that I cannot maintain a gold currency, of course I take that which is the best substitute for it under a depreciation; but if I have a gold currency and appreciated paper which is equivalent to it, I cannot prevent fluctuations; because gold, like other articles, is a matter of exchange in the way of trade.

4658. In what way has the state of things of 1847 gone beyond your apprehension, if you approve of the circulation fluctuating with the amount of the precious metals?—If I am not prepared to plunge at once into a paper currency depreciated, I am justified in considering whether an appreciated currency cannot be managed on different terms from those on which it is at present managed, and very much more to my interest, and that of the community.

4659. It was managed according to that principle, or intended to be managed according to that principle, before the Act of 1844, was it not?—Yes, and I think the Act of 1844 was a dead letter for a great length of time, and that when it came into operation, as regards the Bank of England, its reserve and its issues, it was mischievous.

4660. It only became mischievous in proportion as it more exactly accommodated the paper circulation to the efflux of gold?—I cannot answer the question in the terms in which it is put; I think the Act was intended to impose a superior order of discretion on the Bank Parlour to that which they previously exercised; I do not think that is ever got by Act of Parliament, and I think the Act has signally failed.

4661. Are you not aware that the intention of the Act of 1844 in respect of issues, was to deprive the Bank of England of discretion, and to lay down a rule which they could not transgress?—I am aware of that; and I think my answer, with a slight change of terms, answers the question in the affirmative.

4662. Would you not say, that the fluctuations we have had under the Act of 1844, were such as were to be expected under any system which was based upon
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the principle of a currency fluctuating with the amount of the precious metals?—Yes, I think the Act of Parliament, whenever it came fairly into operation, increased the difficulty.

4663. At this moment, supposing there were to be again a general contraction of accommodation, and there were to be a drain of 8,000,000*l.* or 10,000,000*l.* of our bullion, or more, in what state would the productive and trading classes of this country be?—I am satisfied what course I should take; desiring to keep up the appreciation of paper as much as I possibly could, under circumstances very discouraging, I should issue one or two millions of 1*l.* notes, and thereby get the sovereigns in; I should by that means take the sting out of the Act, though for my own part I prefer 50*s.* notes, and I should be very glad to see 50*s.* notes. The present gold circulation of the country is a very harassing and inconvenient circulation indeed; the circulation of bullion is carried to an extent that is extremely harassing to men of business; we want a cheaper medium of circulation; the wages that I am called upon to pay will not be less than 10,000*l.* or 12,000*l.*, or 15,000*l.* a month; a great portion of that I have to raise in specie; I am forced to seek that gold round about, of the bankers in the district; I frequently pay an agio for obtaining it, and if I send the gold to London, my friends do not like to take it; they say that whatever they weigh it at, the Bank of England always weighs it at less, and they can never get the value of it at the Bank, and they will not even return the gold to them; and, therefore, the circulation of gold to the present extent is a most inconvenient and vexatious one to men in business who have large amounts to pay; I believe that the substitution of a lower denomination of paper-money by the Bank of England would keep much more gold in this country, without depreciating paper at all, and I think the Bank would have a larger reserve to meet any difficulties.

4664. Would you have 2*l.*, 3*l.* and 4*l.* notes?—I have no prejudice against 1*l.* notes; but 50*s.* notes, especially if there were a power of paying a larger amount in silver, would be a wonderful relief to the working classes and to the currency.

4665. Would a 50*s.* note pay an individual workman's wages?—Yes; we pay by the fortnight, and in a very large number of cases, a 50*s.* note would pay the wages; and I should like to see silver a legal tender to a larger amount.

4666. To what amount?—Two hundred pounds or 100*l.* at least.

4667. Do you think that would tend to replace the gold that was displaced by these smaller notes?—The issue of 50*s.* notes and 1*l.* notes would most certainly do so.

4668. And you think that the Bank would be more fortified by the larger amount of its bullion so obtained against adverse exchanges?—I have no doubt of it; I wish particularly to guard myself, by saying, that the 1*l.* notes should be Bank of England circulation.

4669. Under all these operations of the screw by the Bank of England under adverse exchanges, upon whom does the distress or pressure fall the heaviest?—Undoubtedly upon the man who is forced out of work, or whose employment is seriously diminished; but as regards the impoverishment of capital, looking at it as a matter of pounds, shillings and pence, I should be afraid that the accounts of almost every man engaged in commerce or manufactures would show a frightful cutting down in the last year.

4670. Do you think that even solvent houses have suffered?—I have no doubt of it; I do not speak of it universally, but generally, from the circumstances under which they have carried on business, the high rate of discount, and the failures and losses, and the great depreciation of stock; they have very bad accounts.

4671. But the classes who can least escape from the infliction are the working classes?—Certainly.

4672. And the working classes suffer most?—Yes.

4673. Supposing we were to have a drain of gold, whether it was to correct the balance of trade, or whether it was to fill the military chests of Europe, or from whatever other cause, you think the screw should still be put on by the Bank of England, and that the working classes should still be exposed to the suffering arising from that cause?—I cannot make up my mind to depreciate the paper currency, because I think the country would fight universally till they got it restored; and therefore any palliative, I think, would fail; but the Act I consider, does, under certain emergencies, materially aggravate the attempt to appreciate the currency.

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4674. Supposing there had been a power with the Bank of England to issue 20,000,000*l.* of notes during the last two years instead of 14,000,000*l.*, do you think that there would have been the same degree of panic and distress?—No, certainly not; if the Bank of England had had the power to extend the circulation by 3,000,000*l.*, they would have continued to discount, and the houses in London would have continued to discount, and instead of having money at 8, 9, 10 and 12 per cent. it would have continued to range between 4 and 6 per cent.

4675. Do you think the Bank rate of interest on discounts should ever fall below 4 per cent.?—I think if I were in the Bank Parlour I never would, unless I were placed in circumstances which I am hardly able to contemplate, reduce the rate below 4 per cent.

4676. Are you aware that under the late public emergencies the circulation of the Bank of England might have been reduced to 11,000,000*l.*?—I am not aware of it.

4677. Eleven million pounds of notes were issued upon the debt of the Government, and 3,000,000*l.* more upon securities, which made 14,000,000*l.*?—Assuming that the Bank had possessed no other securities but their debt to the Government, of course it might have been reduced to 11,000,000*l.*

4678. Do you think that the knowledge of the fact that the mechanical action of the Act of 1844 might bring the Bank circulation to that pitch, was one of the causes of apprehension in the mercantile mind?—I cannot say; circumstances came so rapidly upon us, the very best bills being sent back from London, and we finding that we were within a few days of stopping payment of our wages, naturally thought that the worst was come, and did not speculate whether or not the Bank was capable of being reduced to 11,000,000*l.*

4679. Seeing that as every million of gold went out, a million of Bank circulation was reduced, do not you think that it was the mechanical action of the Act of 1844, which tended to make bankers feel the prospect of an impossibility of their getting bank notes?—On the two days previous to the issue of the Government letter, the bankers and brokers were aware to a man that they had very little power of getting bank notes.

4680. If the Bank, instead of 14,000,000*l.* had had the power of issuing 20,000,000*l.* upon securities, instead of upon gold, you do not think that there would have been the same degree of panic?—I certainly, as a private individual, would give the Bank the power of issuing 20,000,000*l.* on depositing other securities besides gold.

4681. Do you consider 20,000,000*l.* out with the public to be sufficient?—I believe that 20,000,000*l.* would work well; I do not think much less than 20,000,000*l.* would work well; but I think 20,000,000*l.* would work well. But I still stick to my favourite theory, of the Bank having a further power of issuing a lower denomination of notes, in order to get back the gold which they undoubtedly would, for a larger margin is sometimes wanted from the peculiar circumstances of trade or the prices of provisions; I think such a circulation at this moment, if the Bank had wanted gold, would have met all the difficulties connected with the savings banks.

4682. What do you mean by the difficulties connected with the savings banks; do you apprehend much ran upon the savings banks?—There is a continual drain going on in the country; it has rather ceased in the last six or seven days, the notices are much fewer; in Lancashire it has been perceptible, and in Durham and Yorkshire quite perceptible.

4683. To what do you attribute that?—Fears of political disturbance; fears of a disturbance of the existing order of Government affecting trade, and operating still further in those relations of life which have not been hitherto affected.

4684. Is there any fear of their not receiving bullion in return for their deposits?—The general idea is, that bullion is more secure and more easily hoarded than paper, and the alarm from political circumstances would be likely to lead to a still greater scarcity of money, and a general disarrangement as regards paper.

4685. If instead of 14,000,000*l.*, which is the practical amount to which the Bank can issue, they could issue 20,000,000*l.* upon securities, do you think that would tend to depreciate paper?—I should give it as a private opinion, that the power to issue 20,000,000*l.*, if with the exercise of a moderate discretion, provided the Bank took in sovereigns, would not depreciate paper.

4686. You

4686. You have objected to the cheapness of money which existed for a year or two preceding the end of 1846; to what would you attribute that cheapness of money?—I wish to be understood that I do not object, and never shall object, to a cheapness of money legitimately, but for any banker to go out of his way to make money plentiful, or to depart from the sound principles of banking, is what I object to; I thought that the Bank of England ought to have turned its attention to other securities, of which there are abundance in the country, rather than lend money at so low a rate as they did on commercial paper.

4687. Do you think anything at this moment could tempt mercantile men to resume their commercial operations, unless there were a very cheap rate of money?—No; I am decidedly of opinion that the competition to which we are subjected with foreign countries, leaves us with comparatively no advantages over them but an abundant and easy rated capital.

4688. Do you remember the great state of pressure in 1839, and the years succeeding 1839?—But imperfectly, as to the cause, the effect and the extent.

4689. Do you remember that the rate of interest was increased very much in the year 1839, and that there was a great pressure upon trade, and that towards the middle of that pressure, in 1842, the workmen in Lancashire turned out?—I am afraid I cannot speak to that with any distinctness.

4690. You do not remember that there were four or five years of pressure, from 1839 to 1844?—I recollect it generally; and I know that for the last 10 or 12 years anything like the regular pursuit of business, what I call an honest and plodding business, in manufactures, has, in nine cases out of ten, been entirely profitless, from the great fluctuations of capital and the value of articles; in fact, the man who has made money has thriven by watching the rise and fall of his stock in trade; but the profits of industry have been perfectly nominal.

4691. Then, whatever may have been the cause during the last 12 years, the result has been rather in favour of the Jew and money-dealer, than the productive classes generally?—Undoubtedly, as representing all produce. Many have made money by watching the turns of the market; but what I mean is, that the honest tradesman, working as it is called from hand to mouth, buying his materials and selling again at once, has been in great danger of becoming ruined for the last 10 or 12 years, and the fluctuations have destroyed his profits.

4692. Has that operated against the employment of labour?—Yes, the only man who has made money in the last 10 or 12 years, is the man who has, as many people would call it, speculated.

4693. To what do you attribute that tendency to employ money in speculation rather than in regular trade?—There is a very great disposition in the human mind to adventure; I do not think Englishmen are without it, a speculative business has many votaries, but a regular plodding business, and the discouragements to hard-working industry have appeared to multiply to a certain extent; no man can foresee the value of his article at the end of a year, or at the end of three years, and he finds it so utterly depreciated that all idea of profit is gone.

4694. It has changed with the fluctuations in the value of money?—Certainly.

4695. If circumstances in the last 10 or 12 years have been so disadvantageous to the employment of labour, would not that of itself account for men being drawn into speculations, rather than into what you call fair trade?—I think it is a great incitement to it.

4696. If there were three or four years of mercantile pressure after 1839, that being the year of a great stringency in the currency, would not the effect of that pressure be to disincline mercantile men from entering into commercial engagements?—Yes, I have spoken of that fluctuation, and of others, as having exercised a very great influence in producing, even during the time I have known it, a great change in the character of English tradesmen.

4697. But if mercantile men were disinclined from entering into mercantile engagements, would not that tend to create a glut and a cheapness of money towards the end of the period?—That is the state of things now; there is no use for money.

4698. If for two or three years the pressure had disinclined mercantile men from entering into mercantile transactions, creating a cheapness of money at the end of 1844, do you see any reason to be surprised at the speculation that took place in 1845 or 1846?—No, I have not been surprised at seeing capitalists anxious to invest their money to the best advantage.

4699. Do you see any difficulty in accounting for the fact of there being a
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cheapness of money at the end of 1844 and the beginning of 1845?—I see no difficulty in accounting for it; but my own apprehension was, that in one way or the other, the capital of the country was progressively increasing with very great rapidity up to that time.

4700. But if mercantile engagements had been so profitless, what had tended to make the capital of the country increase?—I stated, as clearly as I was able to do, that the man who bought from hand to mouth, which is the common case, and did not watch those fluctuations of capital, so as to buy when things were unusually depressed and to sell when things rose again, failed. The only man who succeeded in making money, succeeded in consequence of carrying on a speculative kind of business; that has arisen from the want of regularity in the values of money and produce; the man who did not so speculate, buying largely at one time and selling very freely at another, did not succeed. There can be no doubt that the capital of the country did increase very largely; but business was carried on on a much more speculative system.

4701. Supposing this cheap money arising from the disinclination of mercantile men to engage in commercial transactions, had not been employed in railways, how do you think the money could have been employed?—I think there was a very good opportunity for the investment of a large amount of capital in *bond fide* enterprises, such as railways.

4702. Do you now see any prospect of the revival of trade in this country except in the way that it took place after the pressure of 1830, viz., from the disinclination of men of capital to enter into mercantile engagements continuing so long a time as to produce a glut of money, the cheapness of money from that cause tending to reassure mercantile men, and to tempt them to re-enter the usual courses of trade?—I think anything that would assure mercantile men that they were not hereafter to be exposed to such violent and extreme fluctuations, would be a great inducement to them to embrace almost the first opening of extending their trade. Cheapness of capital is a relative term, and it is somewhat an ambiguous term; but to men who look to our foreign trade, it is of great importance that we should have capital at an easy rate and that persons who do not desire to carry on a speculative business, should have some assurance that it is moderately productive. That assurance they have lost by being suddenly deprived by those fluctuations, of that which they thought they had secured by their industry.

4703. Do you think anything could more benefit the commerce of this country than an equable value of money?—No; it is essential.

4704. Under the present system, as soon as it is obtained it is disturbed by the fluctuations of our currency, which are the necessary consequences of its fluctuating with the state of the foreign exchanges?—It may, I think, be so regulated, as that there shall never be that pressure and relaxation in excess, which, I think, has done mischief.

4705. Do you think the system of free-trade which we have adopted, which involves large imports into this country, can satisfactorily go on with the Act of 1844?—No; I think it is one of those circumstances which are telling very strongly upon the necessity of our meeting unusual emergencies, and I regard the occasional influx of valuable commodities from abroad as an unusual emergency that must be met; and that is one of the grounds on which I advocate everything that can possibly be done to relieve the currency, so as at the same time not to depreciate the paper.

4706. Sir James Graham.] What would you recommend to be done, maintaining the convertibility of the note, with a view of obtaining the relaxation which you desire?—In the first instance, I would not insist upon the Bank of England replacing all their excess of issues over 14,000,000*l.* in bullion or coin; I would take Government securities for such an excess of issues; I would authorize the Bank to issue 50*s.* notes as part of its issues, and I would even authorize them to issue, under certain circumstances, to the amount of several millions of 1*l.* notes, and I would revise the Joint Stock Bank Laws, and also make silver a legal tender to at least the amount of 100*l.*

4707. At the present relative proportion of silver to gold?—I would take the consequence of any fluctuations that may take place.

4708. But you would begin at the present period with the present relative value of silver to gold?—Yes.

4709. The legal tender being up to 40*s.*, you would raise it to 100*l.*?—Yes.

4710. Would

4710. Would you not say that in moments of political apprehension, there is a disposition to hoard?—Undoubtedly there is.

4711. What is it that persons alarmed in a moment of political excitement seek to hoard?—In the country it will always be found that they hoard either gold or silver, or Bank of England notes; in a state of commercial panic, the great bulk of the hoarding has been in Bank of England paper, because it is easily convertible.

4712. In a political panic, which is most likely to be hoarded, paper or the precious metals?—As regards the poorer class, the precious metals; but I conceive that by the great bulk of the community, who look beyond the mere momentary pressure, Bank of England paper is that which would be hoarded.

4713. The great bulk of the people is the poorer class?—Yes; but in the town that I inhabit that would bear a small proportion to that which the banker would have in his till.

4714. One pound notes were principally held by the poorer population?—Yes.

4715. And in a moment of political panic, the great body of the public being holders of 1*l.* notes, would there not be a great run for gold?—I am not of that opinion; my opinion is, that 1*l.* notes would be the most active circulation. The late Mr. Cobbett said, that the 1*l.* notes were the legs of the 5*l.*, and my belief is, that no one who had 1*l.* notes would wish to exchange them, but for commodities, in 19 cases out of 20.

4716. In a moment of political apprehension, you are of opinion that there would be no fear of holders of 1*l.* notes demanding gold for them?—None whatever, but I limit it to several millions, and by that I mean from two to five millions; it would be a great relief to us if we had 1*l.* notes.

4717. You would not contemplate the country bankers issuing 1*l.* notes?—No, though I think that is a prejudice on my own part, it might be done to a limited extent; I do not mean to say the whole circulation should be 1*l.* notes, but I think the gold currency to the extent to which it is now carried is a great annoyance.

4718. Are you in favour of the maintenance of the present gold standard?—I believe I am, as far as I am able to understand it.

4719. You would desire to increase the legal tender in silver at the depreciated standard?—To the extent of 100*l.*

4720. I thought you had said 200*l.*?—From 100*l.* to 200*l.*; I do not want an *agio*, but the only *agio* we have now is upon gold, to get it to London; we cannot get rid of our gold.

4721. You were not satisfied, then, with the state of the law prior to 1844, because the changes you recommend were necessary at that time?—I do not think that the State has done any good in meddling with the Bank; I think the discretion is still in the Bank directors, and that that we have found out to our cost. With regard to banking in the country, it is extremely unsatisfactory; the joint-stock bank system is very far from what it ought to be; there have been certain failures of joint-stock banks, and those failures have deterred persons from embarking their money in joint-stock banks; and I believe we shall find very great difficulty in carrying on the commerce of the country under the present law.

4722. Do you remember the year 1825?—Yes, perfectly; I recollect meeting 16 carriages-and-four laden with specie, &c., on the road between Darlington and London; I was on the outside of the mail, coming up to London.

4723. Do you recollect how many country banks failed in 1825?—I do not; but I do not wish to be understood as asking for an increase in the number of the banking establishments as issue establishments.

4724. Mr. Spencer.] Do you recollect the average dividend that the banks paid on their failure in 1825?—No, I do not.

4725. Have you ever heard that it was upwards of 17*s.* in the pound altogether?—I do not recollect having heard that.

4726. Sir James Graham.] How long was it before a poor labouring man, holding a 1*l.* note of a country bank that broke at that time, and which ultimately paid 17*s.* in the pound, touched that dividend?—It was a period of many years, in several instances.

4727. With your experience of the monetary pressures since 1825, do you think that the great body of the people, the working class, have suffered so much from any of those pressures, as they suffered in 1825 from the failures of the

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country banks issuing 1*l.* notes?—I do not recollect any case in which (and the county of Durham was very severely visited by those losses) there was more than a temporary mischief or injury done to the working classes; but certainly we are now under a system of diminishing and bringing them low, which ought to be remedied as quickly as possible, if we mean to continue our political state at all.

4728. *Mr. Hushon.*] Is it not known to you, that almost in every town where 1*l.* notes were circulated, immediately upon the stoppage of a country bank, there was some grocer or baker, or some other individual, who would take the notes in return for goods?—Yes.

4729. The poor man almost immediately got value for his 1*l.* note?—I am aware that that was done to a great extent, and that the parties who were pretty quick in their operations, owing money to the bank, got their debts paid in that way, with a certain depreciation.

4730. *Mr. Spooner.*] You recollect the distress which followed the panic of 1825?—I recollect the great difficulties of that time.

4731. Do you think that the distress of all classes of society, both the labouring classes, the mercantile classes and the retail dealers, was greater or less in 1825 than it has been in the year 1847?—I am really of opinion that there never was a greater amount of distress amongst all classes, and borne with more admirable fortitude, than that which has existed in the last six months; that which has come under my own notice, going amongst thousands of my work-people is harrowing to the extreme. The amount of Sunday clothes in pledge I never saw equalled in the same degree; food has swallowed up everything, with the want of work.

4732. You are of opinion, that the distress of 1847 was much greater upon the whole than the distress of 1825?—Yes, it has been a long-continued distress; it has now continued for 15 or 18 months. The price of provisions in 1846 was so great, that the poorer classes got into debt; and in 1847, from the dearth of employment, they were not able to redeem themselves, and the state of things among the poor now is one of great poverty, and want.

4733. Do you consider that the losses which capitalists suffered in 1825 was greater or smaller than they have suffered in 1847?—My apprehension is, that capital has been reduced to a greater extent in the hands of the manufacturers since the 1st of January 1846, than it was in the period from 1825 to 1847.

4734. You were in London two or three days previous to the issue of the Government letter to the Bank?—I think I arrived in town on the Friday morning.

4735. Had you then an opportunity of ascertaining the state of the money-market?—I had.

4736. Supposing the Bank of England during those two or three days had offered a million of funded property in the market, do you believe it would have found purchasers at any price?—There were parties who had deposits in the Bank of England at that time, and if Consols had been offered to them at a very depreciated rate, they would, reluctant as they might have been otherwise, have drawn upon those deposits, and taken the Consols, but it would have been at a great depreciation; I think a price of from 75 to 78, would have induced many London bankers, and downer ladies and country bankers to have drawn upon their deposits and purchased stock.

4737. Those deposits were chiefly in the Bank of England?—They were in the London and country banks as well, but the country bankers were in extremely good credit; I do not believe, as regards the withdrawal of their deposits, they suffered one-half in 1847 that they did in 1825, because the failure of the bankers in 1825 brought their credit so low; I believe comparatively there were not drawn out of the deposits in 1847, 50 per cent. of the deposits which were drawn out in 1825 and 1826. The country banks stood well in 1847.

4738. But my question is, what the effect would have been upon the money-market, of the sale of Government securities to the amount of 1,000,000*l.*; you stated that you believed stock might have been sold at an immense depreciation; from what quarter do you think the Bank notes would chiefly come to pay for those securities?—From the depositors in the Bank of England chiefly, because the offer would have been on the Stock Exchange here; but I take for granted such an offer of depreciated Government securities would have affected every London banker and every country banker who held deposits.

4739. And

4739. And as there had been a fall in the price of stock before that, the fall would have been increased by that operation?—Yes; I was in communication with directors of the Bank of England at the time, who stated that they had no alternative; in point of fact, every man I met was at his wit's end.

4740. Do you believe that if that letter had not been issued the whole commercial credit of the country would have sustained a very great loss, and would have come to a stand?—Yes; several commercial men said they could not proceed with their payments; I know that several of my brether coal-owners could not get their bills discounted, and they could not pay their wages, and the men were only prevented, by being quietly spoken to, from destroying the employers' houses; and had there not been relief given by the issue of that letter, we should all have been in the same predicament.

4741. If the Act of 1844 was passed for the express purpose of preventing these alarms and panics, do not you conceive that the Act of 1844 has failed in its object?—I have complained that the fluctuations have been very distressing.

4742. If the object of the Act was to prevent fluctuations, the Act has completely failed, has it not?—Yes.

4743. If the object of the Act was to give the commercial man a fair chance of making his calculations, so that he might depend upon making a fair return, the Act in that case has completely failed?—Yes, so far as the Act is to blame; but I do not wish to lose sight of the bad harvest, and the effects that have taken place from that.

4744. But the Act has not prevented fluctuations?—No, and no Act ever will prevent them.

4745. With regard to the general principle of the Act of 1819, will you state what, in your opinion, is the principle of that Act?—My notion of the principle of that Act was, that it was to obtain for the country as cheap a currency as possible, at the same time providing for the convertibility of the paper currency.

4746. Are you aware what was the standard at which the bank note was convertible in the year 1797?—No; it goes beyond my birth.

4747. You cannot, then, give us an opinion whether the Act of 1819 carried that convertibility to a point which did not exist in 1797?—No, I cannot; I have read a good deal upon the subject, but it has mystified me.

4748. You will, I think, agree with me in thinking, that gold will not stay in this country, unless it will command as much in this country as it does in other countries?—Certainly.

4749. In order to keep the balance of trade in our favour, we must make the produce of this country as cheap as produce of the same sort abroad?—Yes, if the balance of trade is to be preserved.

4750. Do you think it possible that we can find the means of employment for our labouring classes, with the immense revenue that we have to pay, if the prices of our products and our industry are brought down to the level of the continental prices?—I am afraid of making my answer almost as wide as the question; but with our taxation, and under all the circumstances of the competition (and I will not disparage the industry or skill of my own countrymen;) but an easy, regular, and as cheap a currency as possible, is the only chance we have of maintaining that competition.

4751. Do you see any hope of returning prosperity speedily?—I am anticipating, from the cessation of industrial occupation to so great an extent upon the Continent, that those who have expended their money in those markets will, to a certain extent, bring their capital here, and that there will be some revival of our trade; but under our tariff, with the rapidity of communication, and the free intercourse of artisans and machinery, entertaining a very different opinion from what some of my countrymen entertain of the industrial habits of the population on the Continent, I think that we have no chance of going on unless capital is brought to our doors at as low a rate as possible.

4752. You have alluded to the savings banks, are you trustee of any savings banks?—I was, till I would act no longer, and I gave it up; I felt that the rate of interest allowed by the Government was very low, and I therefore directed my attention to building societies, which have flourished very well.

4753. Are you aware of any drain now going on in the savings banks?—The letter which I have laid before the Committee shows that it is going on still to some extent, but the hope of a settlement in this country has very much

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mitigated that drain; I believe it will be found, from the inquiries I have made, to be universally the case.

4754. Have you any means of knowing whether the money drawn out by depositors in the savings banks has been drawn out in the shape of gold?—No, my own apprehension is, that owing to the great pressure for money, parties are offering such rates of interest on houses and real security, as well as on railway bonds, and what are called guaranteed shares, that a very large amount of the capital going out of the savings banks is re-invested; and there has been another operation going on to an extent quite beyond what I had supposed, till I was informed of it, and that is, the abstraction of deposits to a very large amount from the banks in all the agricultural districts, for investment in Government securities; and men of intelligence and able to judge, have also taken up railroad securities to a great extent. The investment in this way has been to such an extent as almost to amount to a national investment. A tenant farmer who had 200 l. or 300 l. with his banker, has bought Consols; the cases have been innumerable. Parties are calling in their deposits, and their over-drawn accounts, in a way that is affecting country bankers very much.

4755. Do you then attribute the present price of Consols to that investment?—Yes, I believe they would have fallen very materially if the nation had not begun to invest, for it has been the nation that has invested.

4756. Mr. Wilson.] Do you suppose that any large portion of those deposits that you speak of as having been withdrawn from country banks, has been used for the purpose of paying railway calls?—Yes, a large portion has been, and a very large portion for loans on debentures.

4757. Do you attribute any very considerable portion of the pressure which at present is felt for capital to railways?—Yes; I have stated that we have invested too rapidly in railways. I do not concur with many persons as to the extent of the over-trading in railroads, but I do believe that we have over-traded.

4758. We have made them in too short a time?—Exactly.

4759. What reason have you for thinking that the deposits which have been withdrawn recently from the country banks are for the purpose of purchasing Government securities?—I happen to be connected with a large number of banks, both commercially and relatively, and I know that country bankers who have been anxious to make loans, have felt themselves not only unable to make loans, but under the necessity of calling upon those to whom they had made loans, and in whom they had perfect confidence to return them.

4760. But what evidence have you that the deposits were drawn out for the purpose of investment in Government securities?—I have passed from one broker's house to another, and have seen their offices thronged with persons that I recognized as yeomen, and I have remarked upon it, and have been told, that it was without precedent the small sums they have to invest.

4761. The persons who invested in railroads were chiefly parties who preferred the higher rate of interest paid upon railway debentures?—Yes.

4762. Therefore all that operation you trace to the effect of railways?—I trace it in some respects to railroads; but I trace it to the very great demands that the providing of food has made upon the population. There is a favourite expression in the country, that "the back gives credit, but the belly gives none."

4763. You say that you have no faith in the return of prosperity, or in this country being able to maintain competition with the Continent under the present system of free trade, unless we have easy and cheap capital?—No.

4764. In what way can capital be cheap or easy, is it not by abundance?—Yes, we must have a little patience before we can recover ourselves, as in our private capacity we are obliged to do; if we have spent too largely, we must endeavour to make our circulation as abundant and cheap as we can, adhering to the standard, and also endeavour, if we can, to improve our Bank Laws.

4765. Do you not make a very wide distinction between currency and capital?—Undoubtedly I do.

4766. When you speak of currency and capital in their combined form, you do not speak of them as being identical?—Certainly not; but I apprehend that if we diminish the amount of bullion in circulation, we get more capital.

4767. That is, you think by withdrawing a certain amount of gold and silver in circulation, and replacing that with paper, so long as you secure the convertibility, you economise the currency of the country?—Exactly.

4768. Are

4768. Are you not aware that on the Continent of Europe there has been a similar misapplication of capital during the last three or four years that there has been in this country?—Yes.

4769. And capital is equally as scarce there as it is here?—Yes, in some districts.

4770. At present, is it not much more so in every district?—As to the present state of our neighbours across the channel, I scarcely know how to speak of it.

4771. With regard to the general competition of Europe, there is nothing, as far as the regular price of capital, which ought to make us doubt our ability to compete with the Continent of Europe at the present moment?—As regards the present value of capital I think there is; I apprehend that capital, to a considerable extent, in the hands of our smaller tradesmen, is extravagantly dear. A man has a certain amount of capital of his own, and a certain amount of his neighbour's in his hands, and the amount which he has of his neighbour's is borrowed at a high rate at present.

4772. What is the rate that he pays?—I do not believe that he pays on the average less than 6 per cent.

4773. Do you know any country in Europe where capital can be borrowed by small tradesmen, at less than 6 per cent.?—Very often, in the German cities; I can discount similar paper to that which I am now speaking of as fetching 6 per cent. at a much lower rate, but the fluctuations there are considerable, as they are with us.

4774. I thought you were speaking of loans that small tradesmen had from their neighbours?—I do not speak of loans exclusively from neighbours or bankers, but I speak of that kind of credit which a man may be said to enjoy by having a certain amount of *bank-note* paper in circulation discounted.

4775. The rate at which he will be able to discount that will depend upon his connexions; if a small tradesman, for example, draws a bill upon a landowner, the banker will be ready to discount it at a moderate rate?—No; confidence is so completely gone, and the Bank of England have set their faces so decidedly against what is called cross paper, or country paper, that I do not believe such paper is discounted to any considerable extent anywhere at any price, and if discounted at all it is at a high rate.

4776. Then at the present moment it is a question of discredit, and not a question of the absence of capital?—I did not speak of an absence of capital; I spoke of the value of capital.

4777. But as regards the value of capital, it is a question of discredit, and not a question of scarcity?—Of course, because if they will not let capital go out, except under certain terms, because they dispute the securities, the capital is appreciated.

4778. On unquestionable securities in London, money can now be had at a little less than 3 per cent.?—Upon Government securities or upon bills, of which there are very few in existence.

4779. Any higher rate of interest must be charged as an equivalent for the greater risk which is attached to the transaction?—Yes; but I do not admit the risk; I do admit the want of confidence; after the experience we have had, no banker will take into his till that which the Bank of England will not take.

4780. Will you designate what you mean by cross or country paper?—To take my own trade,—suppose a coal-owner sells a quantity of coals to a fitter—A's draft upon B, the fitter, is quite second-class or third-class paper, though both parties are known to be very good.

4781. Mr. Thorneycroft.] What is the date of that paper?—Two months and three months; foreign paper three months.

4782. Mr. Wilson.] Are you not aware, in speaking of that class of credits, that at the present moment, in every country in Europe, there is even a greater discredit than there is in this country?—No; three weeks ago I could have discounted such bills at Hamburgh, at from 4 to 3½ per cent., and I could not have discounted them here under 5 per cent.

4783. Are you not aware that in Hamburgh the rates of discount fluctuate very much?—They fluctuate exceedingly.

4784. And you must be aware, if you have any acquaintance with Hamburgh trade, that during the last spring, one week it was 7 per cent., and in the next week it was 3½ per cent., and that Hamburgh is different in that respect from

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almost every other town in Europe ; there is no regular rate of interest there ?—It would be precisely so in our case, if we had such a continual fluctuation in imports and exports.

4785. Are you aware that there is no regular bank or establishment in Hamburgh that has made it its avowed business to discount bills, until the one which has been established within the last few weeks ?—I can hardly answer that question ; I am aware that with regard to the trade I do on the Continent, the agent has found no difficulty in going regularly to his banker and discounting paper when he found the rates lower there than in London.

4786. Are you not aware that in Hamburgh the only means of discount hitherto has been the balances which merchants have from time to time, and that they are glad to find a means of temporary employment for those balances beyond their immediate wants ; but as far as regards regular discount, there has been none ?—I know the bankers regularly do it ; I know that the Germans come in and buy bills, as we might, for cash ; there are not houses in Hamburgh which we call bill-brokers, but the bankers do as our London bankers do, buy bills.

4787. You are aware that there are parties in Hamburgh who act as bill-brokers ?—I am aware that there are none ; but I never find any man indisposed to step out of his regular line of business if he sees there is a prospect of profit from doing so.

4788. Do you know the rate of interest in the United States ?—No, I do not ; but it varies in the various States.

4789. From 6 to 8 and 10 per cent. ?—Yes ; it depends upon whether a man is connected with the bank, or whether he is a director, and upon various other adjuncts.

4790. You stated that your remedy for a period of pressure would be lowering the denomination of the convertible note, taking care at all times to secure its convertibility, by the Bank holding a sufficient reserve ; will you inform the Committee of the precise operation by which you expect that the currency of the country would be relieved by a system of that kind ?—First of all, I entertain the opinion, in common with many others, that a gold currency is an expensive currency ; and I have stated the difficulty that we have in obtaining that currency, and the depreciation at the Bank of England from the loss of weight. Some of my friends in London have told me that after they have taken gold as of the proper weight from country bankers, they lose 200*l.* or 300*l.* a year from its being reported by the Bank of England as below weight by their scales. First of all, there is the expense of the gold ; and taking the gold in by the issue of 1*l.* notes would tend to lessen the pressure in time of scarcity ; I can have no doubt, speaking of my own district more particularly, that every one of the notes issued, or a very large proportion of those notes, would be repaid in sovereigns, which would find their way to the Bank coffers.

4791. Then it would really place at the command of the country so much additional *bona fide* capital for profitable purposes ?—That is decidedly my view.

4792. Would you propose, in the event of a lower denomination of note being issued, and thereby the amount of the Bank circulation increased, that the Bank should hold a proportionate amount of reserve to maintain the convertibility of those notes ?—I am of opinion that the amount held of reserve in bullion need not be increased relatively with that increase of the paper circulation ; but I would be quite content to take Government securities, if they exceeded the present limits.

4793. When you speak of taking Government securities in exchange for notes, supposing it became necessary to redeem those notes, from any circumstance, either from political or commercial panic, or from a large and unusual curtailment of the circulation in consequence of the badness of trade, and the demand for bullion to go abroad, have you contemplated the difficulty that the Bank would be placed in, in redeeming those notes, which it would be bound to do, by a certain weight of gold, after it had issued them against Government securities ?—I have contemplated it ; and I have reasoned from analogy that, whether 14,000,000*l.* was the right figure to assume or not, a certain amount was arrived at from the experience of those who prepared that Act. I think experience has shown that it was unnecessarily limited. I think the whole system of convertibility is a matter of theory, and that violent circumstances may arise, even under

under that Act, to subvert the whole frame-work of the system; but I believe that we may safely go further than we have done, and I do not contemplate any additional risk of disparaging the convertibility by going to the extent to which I have alluded.

4794. Are you not aware that in January 1840, only four years prior to the framing of this Act, the circulation of notes in this country had actually been reduced to 15,000,000 *l.*?—I think it was the fact.

4795. The drawers of the bill in 1844, with a view to keep themselves within the proper mark, could only have consulted the experience of the most recent period, and finding that the circulation of notes had actually been reduced as low as 15,000,000 *l.*, they could not safely have gone much above that without endangering, according to recent experience, the convertibility of the note?—I should not reason exactly in the same way with the honourable Member; I never can forget what took place at that time, for I happened to be in London; Lord Ashburton described it as fair-weather hanking; they had taken a time of no pressure, and when capital was in a very peculiar state, and there was no provision, therefore, made, under the Act of 1844, for a very different state of things. The greatest difficulties we can apprehend are political disturbances and want of food; for both those cases, I think the provision was wholly inadequate, and will be always found inadequate, under that Act.

4796. As long as you are to have a mixed currency of paper and coin, and as long as you are to provide that that paper shall be, under all circumstances, convertible into a certain quantity of coin, you must have some regulation by which you will not exceed a certain quantity of paper circulation, and by which you will never allow your reserve of gold to fall below a certain amount, in order to redeem that portion of the paper that the Bank will be called upon to pay; do not you think that those are the two fundamental principles which must always attach to any circulation of paper and gold, where it is intended that convertibility shall be secured?—I think the circumstances will arise, and have arisen, under that law, of so violent a character, that the law ceases to be any law; it did cease to be a law at the latter end of last year, and in the intermediate times, when those violent circumstances do not happen, the law is wholly inoperative.

4797. You only mean by that to say, that, as regards this particular law, the Bank was unable to preserve the particular proportions then presented under the particular circumstances that occurred last year?—Yes, I mean to say so; and I mean to state, as my view of the case, that if the Bank directors, bringing their minds to bear upon it, cannot arrange these matters so as to insure us a proper system of banking, I cannot see how it is possible to avoid conjunctures in which the help of the State will fail in enabling them to do it.

4798. Then what you mean to say is, that you cannot help seeing that there may be conjunctures in which the Act of 1819 cannot be maintained?—Yes, I admit that; therefore, the whole system being so artificial, I am only anxious to find out, when I see myself and my neighbours brought into great distress, how far I can relax that system, with prudence, with respect to the standard of convertibility.

4799. In 1839, when the Bank reserve was brought to a low point, the Bank was obliged, as a *dernier resort*, to have recourse to a foreign bank?—Yes.

4800. If it had not had recourse to a foreign bank at that period, what must have been the consequence?—I apprehend that the consequences are manifest; in the ambiguous position that the Bank of England holds, it does seem to me necessary to give it a discretion; I wish to give the Bank as much play as I can, unfettered by the State; at the same time, not deranging the system which the Legislature have approved, and which the public appear to approve.

4801. Supposing the Bank are bound to keep a certain reserve of gold for every portion of paper that it issues, would not the Bank be in a difficulty in maintaining that proportion at the period you have referred to?—I think at times of the greatest pressure, and I take an extreme case; if it had been known that the Bank had the power of issuing 1,000,000 *l.* or 2,000,000 *l.* or 3,000,000 *l.* more of paper, under any circumstances, that pressure never would have arisen. The idea of the Bank being reduced so low, caused every hanker and every tradesman, and London bankers not excepted, to come upon the Bank of England, because they felt that every resource was cut off, and things came almost to a stand-still; I believe, with the quantity of gold they had in their

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offers, there would have been no danger of subverting the system, if they had had the means at that time of issuing paper to the extent of 2,000,000*l.* or 3,000,000*l.*

4802. In reference to what occurred in 1839, when the Bank was acting on its own discretion, without the restrictions of the Act of 1844, do you see any means by which the Bank could relieve itself by an additional issue of paper?—Yes; if it had the power of issuing 1*l.* notes in lieu of so many 5*l.* notes.

4803. But confining your attention to the fact, that the Bank was circumscribed as to the amount of notes which it could issue, do you see any means by which it could have relieved itself in 1839, when it was acting entirely upon its own discretion, by an additional issue of paper?—I do not call to mind sufficiently the circumstances of 1839 to suggest any other course; but a country banker has credit with other bankers, and the Bank of England has credit with the Bank of France or Berlin; and a tradesman or banker having credit, will, under certain circumstances, of the failure of his connexions, or the non-arrival of mails, or other circumstances, which act as strongly upon public parties as upon private, have recourse to his neighbours, though borrowing is very disparaging and injurious as a system.

4804. Would it not have been better, had the Bank of England, instead of allowing its reserve to fall, so taken the precaution of selling securities?—Yes; at the same time it comes within the range of those circumstances which require the exercise of personal discretion; it is a question whether I shall make a greater sacrifice by selling my securities, or by borrowing upon my credit; and I do not know that I should have recommended the Bank, as far as I know the circumstances, to sell the public securities, if it knew that its neighbour was quite ready and willing to assist it by lending money.

4805. It would become with you a matter of calculation, whether you could have borrowed money upon securities upon cheaper terms than you could have sold them?—As a private banker, I should have entered upon that calculation in the first instance.

4806. You would have taken into account, as a part of your calculation, the cost at which that loan could be obtained?—Undoubtedly.

4807. And no loan could be obtained from a neighbouring country without an enormous cost incurred in the way of agencies, brokerages, loss of exchange, and re-exchanges, which would far more than counterbalance any difference which could have arisen from borrowing the money instead of obtaining it by selling securities?—The circumstances may be the very reverse; it may be a profitable transaction under a certain state of exchanges, but under general circumstances, it is no doubt a losing transaction; but a knowledge of the fact, that a person has a credit elsewhere to go to, prevents his being pressed for that very article, which, if demanded, would increase his difficulties.

4808. Are you aware that a transaction never could take place in this country such as we are speaking of, except when there was a demand of bullion for export, and that that implies an unfavourable exchange with this country, and therefore, that a loan made under those circumstances must always be made at a disadvantage?—Yes, if the exchanges with all countries are unfavourable; but it does not follow that the exchange with St. Petersburg will be the same as the exchange with France.

4809. Do not the exchanges act upon each other?—Yes, but I may make a very unfavourable arrangement on Paris to-day, and my agent may make a very favourable arrangement, under certain instructions, at St. Petersburg on the same day, because there has not been an opportunity of adjustment, which inevitably takes place in process of time.

4810. But before orders could go from here, or negotiations could be entered into between London and Paris, or London and St. Petersburg, a certain time must elapse in which an approximation of rates must take place?—Yes; but a person borrowing in the course of the exchanges will come to the conclusion that his agent shall have instructions to enter into such and such transactions, under certain circumstances, whereas, if he had waited for the news of the state of things, either in Genoa or Paris, the same information which he would have sent to his agent, arriving at St. Petersburg at the same time, would have counteracted his arrangements.

4811. Do you think that the convertibility of the currency of a great country like this ought to rest upon such an indefinite series of operations and speculative

tive transactions, as those which you are now speaking of?—I think it is very very bad, but I have not found anything that is better; I have stated that morally, politically and financially, I do consider that I am justified in so saying, the fluctuations of the last two years have been most disastrous.

4812. Do you imagine that, by such means, you would avoid the fluctuations to which you have referred?—I propose to mitigate what I cannot cure, by my theory.

4813. We are now speaking of the general principles of banking, because the principle of banking which is applicable to one bank would be equally applicable to other bankers; the only difference would be, that in the one case you would economise a much larger amount than in the other?—Yes.

4814. Therefore, inasmuch as whatever the amount of the paper currency may be, we are determined that that paper currency shall be convertible under all circumstances; I was calling your attention to the way in which that could be accomplished in times of extreme pressure; you appear to think that the Bank of England may depend upon its chances of borrowing upon its stock in foreign countries, instead of, as our law implies, that issues in excess of 14,000,000 *l.* should be met by the sale of securities in this market, in order to strengthen its reserve from time to time and to keep itself in a secure and safe position; which of the two principles do you think it would be wisest for an issuing body to follow; whether to sell its securities from time to time as it found its reserve sinking, or to borrow from extraneous bodies the necessary funds to maintain the convertibility of its notes in time of pressure?—I quite agree with "Poor Richard," that "he who goes a borrowing goes a sorrowing," and therefore to avoid borrowing is most expedient; but if I am asked as a banker or merchant which I will do, having my own profits or the profits of proprietors to watch, I think I am bound to transact my business in that way, that whilst I am satisfied I am safe, will yield the most profit.

4815. Would you like to see the currency of the country resolved into a mere question of discretion, as you have expressed it, on the part of any one person or any one body of men?—No; having seen that the Bank of England as a body, are liable to great error as well as myself, I do not wish to see it resolved into discretion exercised by one body; I think they exercise a sufficient control, but I should like to see a healthy joint-stock bank system in this country (not that I mean to disparage the private bankers, who always will have the preference in certain districts of many parties, and those not the least respectable); I do not believe that you could at present get any persons of capital in the county of Durham, to enter a joint-stock bank at any price; therefore, as private bankers get rich, or decline, or get above business, as some of them do apparently, we are liable to have our banking facilities and loans very largely curtailed, and the reason of that is, that the indefinite liability of all parties who enter joint-stock banks entirely prevents a man of capital from joining them. I want to see greater facilities of banking; I do not mean cheap banking, for I remember times when the Bank have given me a shilling for carrying in other people's notes, and taking their drafts; but I want facilities of banking with a limited responsibility.

4816. Have you ever seen the proposition, and considered its merits, of a central issuing body, whose business should be to issue notes under well-considered regulations, and having no other banking business whatever but that of issuing notes of 1 *l.*, and 5 *l.* and upwards, and leaving in every other respect free banking competition among all—joint-stock banks and private banks—just as in any other trade?—I have thought a good deal upon the subject; I do not think my views would be of much value to the Committee, for they are not well matured; such a thing is perfectly practicable, and it might be, under certain circumstances, perfectly eligible; it would go a great way in doing that which I wish to see done, viz., making capital and currency easy, but I am very much afraid of centralization in this country going too far; I like private responsibility, and the more I see of human nature, the more I am satisfied that centralization would be a mighty engine for good or for ill, and I think the liabilities are both ways.

4817. But supposing that with such a bank the regulations were so perfectly well understood, and the whole public treated so fairly and so equally, that notes

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were advanced upon certain well-defined securities in large sums to bankers, the competition which would then exist amongst all other bankers would give the community the whole of the advantages of private competition to which you have referred; do not you think that that would prevent the probability of any ill consequences arising out of centralization?—I must assume in my answer that it has one controlling head, for everything tends to a head, whether it is the Bank parlour, or whether it is a commissioner or one or two commissioners; I can therefore understand, that being the best administered it might be the best system, but I am afraid there are many views beyond those that at present strike a limited mind like mine that might interrupt the regular course; I think I can conceive a system upon which it would work well.

4818. Supposing the only principle upon which advances were to be made by this central body were upon Government securities, and that bankers carrying in Government securities were, as long as the circulation was full and the Bank had money to issue, entitled to advances, leaving the parties who borrowed upon Government securities at liberty to discount for the country at any rate they pleased, would not that be a cheap instrument by which advances might be made?—Yes; I believe it would work well; and if the country bankers had been put upon that footing I believe it would have been an act of justice, they having given up their issues; I mean that they should have been at liberty to extend their issues upon the deposit of securities; it would have been just to the bankers and a great boon to the community; and in that way I get private responsibility, and a body with central functions such as the honourable Member alludes to.

4819. At present the Bank of England has the monopoly of the circulation of the country, and they have with it combined the business of the deposits and discounts. Do you not conceive that the peculiar monopoly which the Bank possesses gives it a very undue weight of importance and advantage over other banking establishments, and removes it in a great measure from the wholesome effects which a general competition would afford, under the system to which I have referred?—Yes; the conduct of the Bank of England has been that which under the circumstances, perhaps, we might have expected; they have rejected the endorsements of joint-stock banks, and particular classes of paper, from some particular impression, I was going to term it prejudice, and it has at times thrown difficulties in the way of country bankers and tradesmen, which a bank not operating as a discount bank, and not operating as a bank of deposits, would have no inducement whatever to do.

4820. Is it your opinion that the Bank of England, constituted as it is now, with a partial monopoly, is more prejudicial than a bank such as I have described, having an entire monopoly of the circulation, but leaving all other bankers to transact ordinary banking business, under a system of free competition?—My answer must be theoretical; I think I can assume regulations which would make it a very superior system to the present system. I think the assumption, that at the end of 10 years all other bankers shall be restrained from issuing, must now have vanished, because the country, with the Bank of England, as now constituted, after the experience we have had of banking operations, feel that that body, as now constituted, cannot have the whole circulation in its hands; and therefore the 10 years' clause, as it appears to me, is already obsolete.

4821. You anticipate that at the expiration of the present Bank Charter, the public will be of opinion that it will be impossible to re-enact it?—Though the Bank have been guilty of a want of discretion, I do not know that it may not redeem its character again; but I think, at the present moment, the renewal of the charter would be viewed with disfavour.

4822. You see reason to attach disfavour to those who have had that discretion?—No more disfavour than is incident to human nature.

4823. And human nature will remain the same to the end of the charter?—I am inclined to think that the Bank parlour might have been better constituted than it has been, for the good of the proprietors and the State.

4824. You stated that were you in the Bank parlour, you would not be inclined to reduce the rate of interest below 4 per cent. ?—I should hesitate, but I can call to mind periods when the Bank would have been placed in disagreeable circumstances, in having to invest in Consols instead of going to discounts.

4825. If

4825. If the rate of discount in Lombard-street was 3 per cent., what means would you, as a director of the Bank, have of employing your funds?—I should be in the position that they are in at the present moment; the Bank cannot get bills, and, therefore, the Bank buys Government securities, and, I think, does wisely.

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4826. Supposing Consols were at 96 or 98, what would you do, as a Bank director, then?—I should look at the state of the harvest and the state of the country, and form my own view of the exchanges. In 1837, I came to London at the request of an influential railway company, and I borrowed money for them at 6 per cent., and I think some few thousands, for some months, at $6\frac{1}{2}$ per cent. The 3 per cent. were then, if I recollect rightly, 88 $\frac{1}{2}$ and 89. I went home again, and appealed to my own father, as a man of great discretion, and he made this remark to me, "Trade runs in cycles of seven or eight years; money is more easily changed; it runs in cycles of about five years; five years from this date there will be a great change." I said, "I have seen good bills discounted at 10 per cent. in my presence;" and he said, "five years from this date 3 per cent. will be at 100." Watching these changes of the cycles as well as I could, I would use my discretion, and if I saw peace throughout Europe, and the country prosperous, I would buy stock at 95.

4827. As a capitalist, investing money with a view to permanent investment, you might take into consideration cycles of trade for five years, but if you were a banker requiring to advance money from day to day for the benefit of commerce, what would you do; if you were in the place of the Bank of England, required to advance at 4 per cent. when money was at 3 per cent., would you do that which the Bank of England did, advance money upon special loans at a lower rate?—I think I should prefer taking special loans at lower rates, than going into the market in the position in which the Bank stands, which, as I said before, under the Act, is very ambiguous towards the State, towards the public, and towards its proprietors. I would advance money upon special loans for special periods, rather than go into the market, and thereby say that is the rate of money. I know that that would be the effect, indirectly, of the Bank advancing upon special loans; but I think the effect would be very different from the Bank itself going into the market and lending money.

4828. You have no objection, then, to your funds going into Lombard-street for the purpose of being employed by other parties?—I would go upon the old adage of not having all my eggs in one basket; I would make certain advances to bill-brokers in Lombard-street, and I would buy a certain amount of Exchequer Bills, or 3 per cent. Consols or bonds, that were the most eligible, and that would be always convertible, under any circumstances; there is no trade so wholesome in banking as discounting good bills of exchange; but if I am bound to keep a certain reserve, and my reserve is a test of confidence throughout the whole nation, I should feel, as a Bank director, that in the position in which I stood I could not act as a free agent.

4829. You have stated that, during the last three or four years, in your opinion, the trade of this country has not been a profitable trade, except so far as persons have watched the turns in the market, and have taken advantage of accidental declines in price to buy, and afterwards have taken advantage of rises in price to sell?—That is my notion.

4830. Are you of opinion that the great quantity of money which has been made in the cotton trade, the cotton manufacture, the silk manufacture, the metal trade, and the coal trade, during the last 10 years, is fairly open to a criticism of that kind?—I think, to a very great extent, it is.

4831. Do you think the profits made in the course of 1835 and 1836 by the cotton-spinners in Manchester were merely derived from favourable purchases of the raw material, or from a steady demand for the manufactured article at very remunerative prices?—If I could draw any exception to my argument, I should draw the exception that the honourable Member draws; it is notorious that in Lancashire almost all the arrangements in business are for ready money; few parties avail themselves of credit in any shape; it is quite clear that where they sell for cash, the profit must be the *bona fide* result of the strictest and most simple action of business; and, therefore, if I were hit with an exception, it would be

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there; but if I extend myself any further, to the Manchester warehouseman, who is obliged to keep a supply of goods for his connexions, his stock is liable to very considerable depreciation, and shopkeepers in like manner; now, if I take out 30 or 40 large cotton-spinning firms, who have made money, it is very likely that I ought to make them cases of exception to the rule, as there will be exceptions to every rule; but I am speaking of those who hold stock from day to day; the cotton-spinner is not obliged to hold cotton on stock; he may buy his cotton in Liverpool to-day, and may have it in his warehouse to-morrow, and have it made up at once in twist or calicoes, and receive bank notes for it in the week.

4832. Speaking of the second class, the warehousemen in Manchester, do you believe that the large sums of money that those men have made during the last three or four years, have been made by accidental speculations, or purchases at cheap rates, at times when the exchanges rose in value, or that they have been made by a regular demand for the articles at remunerative rates of profit?—I believe two-thirds of the profits have been made by what I call speculations.

4833. Going to the metal trade; I believe that it is notorious, that there is no trade in this country in which a larger profit has been made than in raising and manufacturing iron, since 1843; speaking of the producers of iron, who are a large class, do you attribute the great success which has attended that trade to the accidental circumstance of parties buying materials at a low price and selling them at a high price, or to the regular demand for the article at remunerative rates of profit?—You may find exceptions in every line of business; but supposing a person has been in the habit of producing 500 tons of iron bars every week, though he may have had a larger profit than a person producing a less amount, from the trade latterly decreasing, the ironmasters have an enormous stock both of pig-iron and malleable iron; and I find them ready to sell the same article at 6*l.* or 6*l.* 5*s.*; I see, therefore, an immense depreciation of stock in hand, and so much abatement of their profit; and therefore the person who apprehended that he had realized a very large sum of money up to a certain date in 1847, will find, when he comes to average the year, that the realization has been very much less than he had apprehended. Still I go back again (as the honourable Member has chosen to take businesses of rather a peculiar character, and which are very far from extreme cases), to what I call the man living from hand to mouth, who goes into the market to buy a certain quantity of wool, and turns out so much cloth; or goes into the market to buy any other article, and is obliged to retain it in his possession a certain period of time, longer or shorter; that man has not found his profits at all compensate the depreciation of stock and premises at the end of the year. A Manchester spinner who has been lately carrying on business, in nine cases out of ten, has been trading upon the profits of former years, and those who have gone on have paid their workmen what they will probably never get back again; they have taken it out of the profits of former years. If you take the average value of the stock for 10 or 15 years, you find that the altered value of the stock and premises has reduced the profits.

4834. Do not you admit that there can be no increase of national wealth by mere change from hand to hand of the same commodity, but that all the increase of national wealth, which you have admitted has taken place in the last 20 years, must be the result of profit?—Yes.

4835. If the country has become more wealthy in the last 20 years, trade must have been profitable?—There is no doubt it has been profitable, but there is a confusion about profit; I never consider that I have made a profit till I have realized something over and above the interest which the money would have fetched in the market.

4836. But take the expenditure of men in business; their personal expenses will generally exceed the interest which their capital will command in the market; and, therefore, if we find a gradual and steady increase of the capital of the country, we have a right to infer that there has been a profit over and above that which has been expended on personal expenses?—I have no doubt that the capital of the country has increased; but I do not admit that the expenditure is equal to the interest of the money.

4837. Do you think that with regard to people engaged in business in this country, their personal expenditure is not, on the average, equal to the interest of

of the capital engaged in their business?—No; but when I speak of a person engaged in business, I speak of the capital that he has of his own, and that which he has upon credit. The capital is of two kinds, that which a man enjoys of another, and his own.

4838. Mr. Thorneycroft. Did you make any remark, as a banker, in the early part of the year 1847, as to the character of the bills that were in circulation, and were they of the ordinary good character, and paid as regularly as in times past?—They were of the ordinary good character, and paid as regularly as in times past; but it had struck me that the terms of credit were becoming too extensive, I mean, beyond what a fair and judicious system of business would require.

4839. Then the bills then current were paid at maturity, without renewal?—Yes, they were, up to the time of the pressure.

4840. What period do you mean when you use the expression "up to the time of the pressure"?—January or February 1847; afterwards renewals became extremely frequent.

4841. Then, in fact, the character of the bills was not such as to ensure payment at maturity?—No, unless the parties were determined to make a sacrifice of the article, in this way; A. would come to B. and say, "Will you renew this bill; if you do not renew the bill, the whole of my convertible assets are in my agent's hands, and I must sell at such a low price as I object to; but if you say you will not do it, I must sell."

4842. I understand that in the course of the year 1847, whether from pressure or from any other circumstance, a great many bills were brought that were not paid at maturity?—I have no doubt that there was a considerable amount of such bills.

4843. What has been your observation as regards loans of capitalists in the last few years upon railway shares?—I have become well acquainted with transactions in which bankers and others have made considerable advances upon railway shares.

4844. At what rate of interest were those loans on railway shares ordinarily made?—I am not aware of any of them being made under 5 per cent; I have known of such loans being taken at 6 per cent. and some at 7 per cent., and I have known cases of a higher per-centage.

4845. Would not the abstraction of so much capital, for the purpose of making loans upon railway shares, be in diminution of the capital usually employed for commercial purposes?—I think so long as bankers felt a difficulty in employing the money, they made those advances; and as soon as they found a legitimate business in discounts, they ceased to make those advances; and that was part of the pressure upon the railway interest.

4846. You spoke of the high standing of country banks in 1846 and 1847, compared with their standing in the year 1826?—Yes.

4847. Are you of opinion that the high standing of the country banks in the latter years may not have been owing to the restrictions in the Act of 1844, upon the issue of notes payable on demand by country bankers?—I should certainly attribute a portion of their good credit, that credit being the result of the public appreciation of their way of transacting their business, to their being kept out of the snare of undue speculation.

4848. Supposing the restrictions upon the issues of country bankers, which were imposed by the Act of 1844, had not been in existence, do you not believe that at the time that money was being laid out at 5 or 6 or 7 per cent. to railway companies, there would have been a great risk of country bankers exceeding their issues to a most unsafe extent?—I consider there would have been a risk of country bankers exceeding their issues to an unsafe extent; but when it was deemed prudent to place a restriction upon them, I think it would have been more just and equitable if they had been allowed, upon the deposit of public securities, to make extra issues.

4849. The deposit of public securities with the Bank of England would not have enabled the Bank to pay its notes in gold?—No; but I do not believe that any run would have taken place so as to jeopardize the Bank, while a knowledge

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of the fact that the banker had it in his power to assist, when there was a necessity for him to assist; the public would have in many cases placed the banker and his connections in a state in which much less assistance was required than afterwards became absolutely essential.

4850. *Mr. Hudson.*] You have been asked a good many speculative questions upon different matters, but are you able to give a very positive opinion to this Committee upon the operation of the Act of 1844 in October last; and is it your opinion that if that Act had continued in force in the following week without any mitigation, the whole of the North of England must have suspended payment altogether?—That is decidedly my opinion; there would have been an entire cessation of business and employment of the people.

4851. You are aware that one of the Newcastle banks is reported to have received considerable assistance from the Bank?—Yes.

4852. If that assistance had been refused, what would have been the result?—There was not one bank in the north which would have remained unshaken; I am speaking of my own district.

4853. Are not you of opinion that with respect to restrictions of the arbitrary nature contained in the Act of 1844, it is impossible, under all circumstances, to carry them out?—I am decidedly of opinion, that the state of things was such at the time, as to jeopardize comparatively our very existence.

4854. You think it is impossible to lay down one strict law of management in commercial undertakings, which you can always inflexibly abide by?—On such occasions, considering the wants and exigencies of the country, I know no general law that can meet the case.

4855. You state that there is a general indisposition on the part of individuals to enter into joint-stock banks?—A very great indisposition.

4856. And there is very good reason for it in your part of the country?—Yes; the objection is that, however good the bank may be, they have no certainty as to the ultimate management of the concern, and therefore no person will jeopardize the whole for any increased profit in part; I think a bank might be in that state that the best men in the district would join it.

4857. By limiting their responsibility?—Yes.

4858. *Mr. Beckett.*] Are you of opinion that the management of joint-stock banks has been exceedingly deficient?—I think the management of different joint-stock banks has been as wide asunder as to excellence and deficiency as it is possible to be; but the very constitution of a large number of joint-stock banks seemed to me such as to ensure their bad management. Men of large capital, of undoubted respectability, and acquainted with their neighbours' concerns, were not the parties, in many instances, who established them. Men who went to the counter as proprietors, having been instrumental in establishing the bank, were treated with undue liberality, and the bank involved itself in a way that it ought not to have done with parties of that class. If there was the means of ascertaining, as in the State of Maine, United States, by the inspection of any proprietors who chose to call for it, every three years or five years, that it was carrying on its business properly; if there were some assurance of that kind by a perfectly voluntary inspection, then persons would join, and the banks themselves would be conducted in a way that would give satisfaction to all parties, but not so now.

4859. *Mr. Thornely.*] But, under all circumstances, you would have the notes of the Bank of England payable in gold?—I quite wish to preserve the convertibility of the Bank paper.

4860. Of course the directors must so manage their issues as to be prepared to pay in gold?—In the exercise of their discretion they must endeavour to keep that in view.

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MEMBERS PRESENT:

Mr. Glyn.
Mr. Copley.
Mr. Spooner.
Mr. T. Baring.
Mr. Hume.
Mr. Cobden.
Lord George Bentinck.
Sir James Graham.

Mr. Thorneley.
Mr. Cardwell.
Mr. Beckett.
Sir F. Baring.
Mr. Chancellor of the Exchequer.
Mr. Disraeli.
Mr. Alderman Thompson.
Mr. Herries.

THE RIGHT HON. SIR F. T. BARING, BART., IN THE CHAIR.

Robert Gardner, Esq., Examined.

4861. Chairman.] YOU are, I believe, in trade in Manchester?—I am a spinner, manufacturer and merchant. R. Gardner, Esq.

4862. How long have you been in business?—Between 30 and 40 years. 5 May 1848.

4863. Has there been considerable distress at Manchester during the past year?—There has indeed, to an extent I never witnessed before.

4864. You remember the crisis in the year 1825?—Very well.

4865. Do you consider the difficulties of the last crisis to have been greater than those of the crisis in 1825?—Very much greater.

4866. Will you state in the Committee upon what classes of persons in Manchester the distress principally fell?—It has been the most intense upon the poor, the working classes; but there has been also a great destruction of capital; capital has suffered more in proportion to labour than it did at any former crisis.

4867. When did the distress first commence?—In the latter part of 1846; in fact it was coming on during the whole of 1846; but the severe distress began early in 1847.

4868. At what time did the commercial difficulty first begin in Manchester?—I think about the middle of 1846; I do not know that I noticed particularly the time, but it was coming on gradually for some time.

4869. Did you find much difficulty during the crisis of April 1847?—Yes, it was very severe indeed.

4870. Trade was in a flourishing state in the commencement of 1846?—Yes; a good deal of business doing, but without profit.

4871. Do you consider that at that time trade was in a wholesome state?—I do not; it appeared to flourish by the great abundance of money and the great facility in getting long paper discounted; for instance, India bills drawn at six months' sight or ten months' date; if I recollect rightly, though I did not notice the working of it particularly, I think in the early part of 1846 we were at about the height of our apparent prosperity, and I think the present crisis was brought on by the excessive abundance of money and the perfect ease with which bills of long dates could be discounted at that time; the Bank of England does not discount anything beyond 90 days; I knew it was very easy for parties to deposit these long bills and obtain loans upon them from the Bank of England for three months, and at the end of that time to deposit them again till such time as it came within the rules of the Bank to discount them.

4872. Do you consider that in the manufacturing districts there was a greater supply of manufactured goods than was justified by the demand?—I think there was; immediately after the China treaty, so great a prospect was held out to the country of a great extension of our commerce with China, that there were many large mills built with a view to that trade exclusively, in order to manufacture that class of cloth which is principally taken for the China market, and our previous manufacturers had the addition of all these; because in Lancashire, from the representations made both by parties in office and those retired from office, there was a very great expectation entertained of a very large extension in the trade with China.

4873. And there were considerable speculations in consequence of that?—There were a great many large mills built with a view to that trade exclusively.

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4874. How has that trade turned out?—Most ruinous, almost beyond description; I do not believe that of the whole of the shipments that were made in 1844 and 1845 to China, above two-thirds of the amount have ever been returned; in consequence of tea being the principal article of repayment, and of the expectation that was held out, we, as manufacturers, fully calculated upon a great reduction in the duty on tea; had that reduction taken place, I do not think the preparation made for that market would at all have exceeded the demand that would have been found to exist; our commerce with no foreign market is limited by their power to purchase the commodity, but it is limited in this country by our capability of consuming that which we receive in return for our manufactures.

4875. You yourself were somewhat connected with the China trade?—I have been connected with it, to my great regret.

4876. You are therefore aware that the expectations have been entirely disappointed?—I do not mean to say that every individual transaction, or every individual chest of tea, has been a loss, but I should think the losses have averaged from 10 even to as much as 60 or 70 per cent; I sent out some goods in the first instance, and the goods sold at about 15 per cent. loss, from the full conviction that the price at which my agents could purchase tea would leave so great a profit in this country as to make up the deficiency in the sale of the goods there, but instead of profit I lost in some instances 25 and up to 50 per cent.

4877. Did the manufacturers generally export on their own account?—Principally; the merchants, I think, very soon saw that the thing would not answer, and they rather encouraged the manufacturers to consign than take a direct interest themselves; the manufacturers then went into the trade, and they have suffered as I have described; latterly, the Chinese believing that the merchants or the manufacturers were not dealing fairly with them, and that they could have afforded to give them a much higher price for tea than they were willing to give, shipped themselves, on advance of generally about 60 but in some instances of 70 per cent., and I have known of no instance in which they have not had to go back to the shippers for considerable balances; and I am told that in almost every instance the Chinese have failed and have not been able to recover those balances for over advance.

4878. In any other branch of trade, do you consider that there has been over speculation in your neighbourhood?—We may have our own peculiar ideas upon that; I do not think there has been over speculation in anything, not even in the China trade; nor do I think the preparation that has been made has been at all too great for it, but if we are to have a duty of 2s. 2½d. per pound of tea, the preparation made is too great; I conceive the 46,000,000 of pounds that were consumed in this country in 1847, did not realise the importer more than from 1,300,000*l.* to 1,400,000*l.*, while I have reason to believe that the public paid pretty nearly 10,000,000*l.* for that tea.

4879. Mr. Hume.] Will you explain that answer?—The revenue levied on tea the last year, was about 5,100,000*l.*, averaging at least 300 per cent. on the heavy consuming qualities; for instance, congou, now worth in bond from 7½*d.* to 10*d.* per lb., the duty on which having to be paid in cash for two, three or four days before the purchaser can obtain possession, involves such a heavy outlay of capital as to reduce the trade almost into a monopoly. If the first cost were sunk, and it was sold only subject to the duty of 2s. 2½*d.*, with freight and import charges, which are almost 3*d.* per lb., it would still be sold to the consumer at a very high price. The most practical and experienced men in the trade are of opinion that a reduction of 8½*d.* per lb. in the duty, would reduce the price to the consumer at least 1*s.* per lb.; they calculate thus, for instance, take congou at 9*d.* per lb., with duty 2s. 2½*d.*, equal to 2s. 11½*d.* per lb., this is sold by the best class of shopkeepers at 4*s.* per lb., and by the same shopkeepers at 3½*d.* to 4*d.* per oz.; the same quality, with a duty of 1*s.* 6*d.* per lb., would be sold at 3*s.* per lb., or 2½*d.* to 3*d.* per oz.; they state that although the profits would be less, the reduction in capital required in consequence would be more than an equivalent to them. Several large dealers have stated that the retail tea trade requires stimulating, and they believe that such a reduction would tend to create a healthy competition among the retail traders; some even are of opinion this would reduce the price to the consumer 15*d.* per lb., which I will explain. It is a fact that large parcels of tea are bought and sold in bond at ½*d.*, ¼*d.*, and sometimes

times at $\frac{1}{2}$ d. per lb. profit, when there is no cash advance involved, whereas, when it is sold to the great bulk of the shopkeepers with the duty paid and with two to three months' credit, (the terms on which a great portion is bought), it is generally at a profit of from 6d. to 8d. and 10d. per lb., to which they further add a considerable profit. Thus, I account for the 46,000,000 lbs. taken into consumption last year, not realising to the importer more than 1,350,000*l.* to 1,500,000*l.*, but for which I believe the public paid fully 10,000,000*l.*; and I give it as my opinion, that if the duty were reduced to 1s. 6d. per lb., the consumption would be so much increased as to realize the full amount of revenue, taking into consideration the increased consumption of sugar that it would promote. A great many of our factory workpeople use it for breakfast, dinner and supper; it forms part of a greater number of their meals than any other article, save bread. This additional consumption of tea and sugar, exchanged for our manufactures, would give employment, wages and contentment to many thousands of the present discontented and unemployed labourers.

4880. *Chairman.*) To recal you to the subject that we were pursuing; you stated that the abundance of money in the beginning of 1846 caused a good deal of speculation in Manchester, and that one of those speculations was in the China trade?—No; mainly in railways; the stimulus to the China speculations had been previously, in 1845.

4881. In what other lines of trade do you think it produced any excitement?—I do not know that the excitement was confined principally to the China trade, but I merely stated that many large mills were built, from a conviction that our demand from China would at least double, and, in all probability, in a few years, treble.

4882. Was there any considerable speculation in railways in Manchester?—Yes, to a very great extent.

4883. Do you consider that that was a wholesome speculation altogether?—Certainly not.

4884. Have there been considerable losses in consequence of the speculation in railways?—Immense losses; I know a gentleman, formerly connected with Manchester, who stated that he paid 100,000*l.* last year in railway calls, and that he found that his property now invested in railways, was worth 30,000*l.* less at the price of the day, than it was last year; that was after having paid that 100,000*l.*; on looking at the railway lists which give the current prices of the day, he found that his shares were worth 30,000*l.* less than they were last year, although he had in the mean time paid 100,000*l.* It was self-evident that the consequences relative to railways must be very disastrous and very ruinous; a letter was addressed to a member of this Committee when Lord Dalhousie was, what I call, thrown overboard, stating the result, and I do not think a better description could be written to-day of what has taken place, than was written at the time, of what must inevitably take place. Those railways were principally under the direction of lawyers and engineers, who had no interest in them beyond that of making the lines; as to a line paying or not paying, that was a secondary consideration, and more instances than one can be shown where the engineer, before he completed one line, was planning a second, to take away a portion of the traffic upon the line he was making; and it was evident that our manufacturers must go to the wall, because I and my manufactory swim or sink together; my existence depends upon it and its existence depends upon me; but such railways were under the control of those who had no sympathy with anything but making the line, and whether the line would be beneficial to the country or the proprietors was a secondary consideration, or hardly a consideration at all.

4885. And you consider that the speculation has had a very injurious effect upon the trade of Manchester?—No doubt it has; at the same time, it must be borne in mind that the railways have done a certain amount of good, for if it had not been for the railways, the revenue must inevitably have fallen off to a much greater extent than it did.

4886. Will you state to the Committee what you consider to have been the causes of the distress?—I consider that the distress arose first, as I have stated, from the abundance of money, or rather of confidence and the great facility with which we could get discounts; almost any description of bills that had six or eight months to run, could be done with great ease at 3 and $3\frac{1}{2}$ per cent., and all former experience has proved that whenever that is the case it produces the

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opposite effect, in the same way as it did last year; I know that large India houses deposited at the Bank and obtained loans upon long bills though they could not discount them, and, therefore I attribute a good deal of the fault to the Bank of England.

4887. In what way do you think the conduct of the Bank of England has produced any part of the distress?—I have explained the way in which I think it did evil, but I think the management of the Bank is upon a very unsound principle; it is upon the same principle as our Manchester joint-stock banks were; Manchester has lost about 3,000,000 *l.* by the bad management of joint-stock banks; I think the Bank of England is upon the same bad principle of change of direction; if you were a director of the Bank you might introduce into the direction a man very incompetent; he might be a particular friend, or a man of some standing, but perfectly incompetent to be a Bank director; in the course of time he becomes Chairman, and most of the Bank directors are home or foreign bankers themselves; they are continually changing, so that if a man is appointed Chairman and he has made himself familiar with the Bank affairs, he is removed and succeeded by another. Now, I think that the Bank of England would be very much better conducted if there were three permanent directors appointed; I would make it very well worth their while; of course, they should be paid in proportion, 5,000 *l.* or 6,000 *l.* or 7,000 *l.* a year, or whatever such men could be obtained for; and I would take their honourable undertaking that they are not engaged in commerce in any way, or in speculation; but they should attend regularly from day to day, and make their observations from the same point, and they will, in the course of time, become familiar with and will watch the operation of various large houses: for instance, in respect to the great India houses, as they are termed; it is quite evident that with the system they had of drawing and buying each other's bills, if they could have carried it on a little longer, they might have bought up not only the Mauritius, but this country almost; because they draw certain bills at 10 months, and by each overland mail they purchase each other's bills, and therefore so long as they had confidence, one amongst the other, and people had confidence in them, the amount was perfectly unlimited; but if the Bank of England had been under a sound direction, and had been managed as our private banks are, they would have been perfectly familiar with the system, and those houses could not have carried it on to anything like the extent they did, because the Bank directors would see that A. B. and C. drew a certain amount by each overland mail, and that they purchased each other's bills; A. purchasing the bills of B., and B. the bills of C., and seeing that, they would check it, but at present it is carried on without limit. Then the manufacturer receives those bills in payment, and the manufacturer, generally being disinclined to produce operations, would prefer getting a bill that he can discount, and that terminates his transaction, whereas if his remittance is in produce it takes a much longer period to realize.

4888. You object to the advances made by the Bank upon those long bills, and you object to the constitution of the Bank; but I was rather asking you as to facts in relation to the conduct of the Bank, than its present constitution; you have objected to the Bank making advances upon those long bills; have you any other objection to the conduct of the Bank during those difficulties?—I do not know that I have; I have never paid a great deal of attention to the conduct of the Bank, more than observing occurrences that have come under my observation from day to day. At one time the Bank was granting accommodation very liberally, and then, when the change took place, they granted no accommodation at all; and our country banks, the banks in Manchester, could not at all calculate upon the branch bank at Manchester, and, therefore, to increase the evil, all our banks in Manchester held unusually large balances; for I ought to have said before, that the railways had stripped the whole of the banks of the deposits; most of our banks had large deposits, but the railways offered such high rates of interest, that the whole of our banks at the very time when they ought to have been able to render more than usual relief to their customers, were perfectly unable to do so; on the one hand they could not calculate upon obtaining any discounts at the Bank of England, and on the other hand almost all the banks had all their large deposits withdrawn, not the small ones, but all the large sums were taken out. The bank in which I am interested had 500,000 *l.* taken out of its hands between the 1st of January and the 1st of July last year.

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4889. Do you believe that that was the effect of the railways?—No doubt it was, because it went to railway purposes. R. Gardner, Esq.

4890. Mr. Beckett.] What bank was that?—The bank I allude to, is the one 5 May 1845.

4891. *Chairman.*] You were stating the causes of the difficulties that we have gone through; you stated, that you thought the conduct of the Bank was one of the causes; will you proceed to state any other causes?—I stated, that in the first instance, the abundance of money led to speculation, and then we went to the other extreme; previously, we could have got long bills discounted at a small rate, and then after that the rate was very high, or rather there was no rate at all; the discount of the best bills, two months to run, we paid 6 and 7, and 8, and 9, and 10, and up to 15 per cent., and upon four and six months' bills, the rate was higher.

4892. The question was not with reference to the effects, but to the causes of the distress?—The distress I attribute first to the abundance of money; next, to railway calls; next, to the prospect of a trade with China, which was never realized; and next, and perhaps in a very great degree, to the failure of the potato crop, and the indifferent harvest; I think those were the chief causes.

4893. Do you consider that the failure of the potato crop had a great effect, or, as compared with the other causes, a small effect?—It had, I think, a very great effect; it was one of the principal causes of the distress; that and the railways together operated considerably. The cheapness of money led to great trading, and then those things coming one after the other, and the railways being let loose upon us, as if we had had a thousand tigers or leopards upon us, they could not have destroyed more people than railways have done.

4894. Was there any speculation in corn in Manchester?—I do not think there are many people in Manchester who speculated in corn; there was a partial speculation, but it was not to a great extent; I think we have scarcely had a failure in the corn trade.

4895. Among the causes of the distress, do you consider the operation of the Act of 1844 to have been one?—I do not feel myself competent to speak to that; many of my friends attribute the abundance of money to the operation of that Act, but I would give it as my opinion that such speculation would have been much more rife, and to a still greater extent and of longer continuance, if it had not been for the operation of that Act; that Act seemed to draw up and tighten the reins, and give to people notice that it was probable it would still do so more and more; but parties had entered into operations to distant markets, with an understanding that bankers or particular individuals, the acceptors of the consignees, would discount their bills at six months, and renew them again for six months; those operations were gone into when money was excessively cheap, and the difficulty was in realising, or in people getting to shore, if I may use the term; for they had embarked in those operations and it was impossible to bring them to a close in less than 18 to 24 months, or even longer.

4896. You stated that the abundance of money was one of the causes that led to the distress; will you state whether you think the Act of 1844 had the effect of cautioning people and making them more prudent?—After people discovered the difficulty they had got into, and when the Bank began to pull up and regulate their discounts in proportion to their bullion, or to intimate that that was their intention, I think it tended very much to check the rife-ness of speculation.

4897. Do you think that the operation of the Act had any effect in checking over-speculation in the early part of 1846 or the end of 1845?—No, I do not think it had, because there was no intimation of a check, if I recollect rightly, till the latter part of 1846.

4898. Am I to understand you that the operation of the Act in preventing over-speculation did not come into effect till the end of 1845?—I think it did not come into effect until after midsummer of 1846; people went on, as it were, without thought, and when there came difficulty, people began to look about them, and their attention was attracted, I think, mainly by the Bank intimating their intention to regulate their circulation by the amount of the bullion; that led people, I think, to reflect and to pause.

4899. But when did people begin to reflect and to pause?—I think after midsummer of 1846.

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4900. Did you not state, that at midsummer 1846 the difficulties began?—Yes; when the check began the difficulties began, but during the whole of 1846 there was no great check; it was not till early in 1847 that the severe pressure came on; the commercial community did not suffer greatly till early in 1847.

4901. But the question I wish to put to you, without reference to any particular time, is this,—do you think that the operation of the Act of 1844 was to prevent parties over-speculating in a time of prosperity?—I do not think it was.

4902. Do you think the Act had any effect upon the private banks issuing notes?—I cannot give an opinion; we have no banks in Manchester or the neighbourhood that issue notes.

4903. What is your opinion of the operation of the Act when the difficulties came; did it work well, or did it increase the difficulties?—I think it worked favourably when people began to look at it; during the ripeness of speculation people looked at nothing, but when the Bank began to pull up and to show that their issues would depend upon the amount of their bullion, it stayed the speculation sooner than it would have been stayed without that Act.

4904. When the difficulties came, do you think the Act continued to work well?—Yes, I do.

4905. Carrying your mind to the crisis of April 1847, what is your opinion of the working of the Act then?—Many people thought the Act was too stringent when we got into the difficulties; of course, if we had each had the control of it we should have eased it a little.

4906. You remember the difficulties of April 1847?—Yes, perfectly.

4907. Was there a considerable pinch in Manchester at that time?—There was, indeed.

4908. Do you attribute any part of that pinch to the operation of the Act?—I do.

4909. Will you state in what way the Act operated at that time?—It limited the extent of the issues of the Bank; I stated, that the deposits had been withdrawn, not from one bank only, but from, I believe, most banks in the kingdom; and I believe, that the deposits on the 1st of July 1847, were not more than about one-third or fourth of what they had been about 12 months before, and therefore the banks were less capable of giving their usual accommodation to their customers, and they invariably gave this reason,—that they could not calculate upon the branch bank for anything. I know of persons going to the manager of the branch bank, to ascertain if, on a given day, they might calculate on 10,000 *l.* or 20,000 *l.* discounts, but the reply was, "If you want it to-day I can give you an answer, but I decline to give a pledge for any future day."

4910. Mr. Alderman Thompson.] Did Mr. Reid ever tell you that?—No; but the bankers stated that.

4911. Mr. Spooner.] To you?—Yes, to me.

4912. Chairman.] I should be glad to have your opinion, as a practical man, who has been long in trade, upon this point; do you consider that if the Act of 1844 had not been in operation in April 1847, the pinch would have been less than it actually was?—I have stated before, that the Act checked the ripeness of the speculation; how it might have been at that particular period without it, I can scarcely form an opinion.

4913. I am anxious, at the present moment, to compare the practical effect of the Act of 1844 in April 1847 with what would have been the state of things if that Act had not been in operation?—I have replied to that before, by saying that I believe the speculation would have been much more ripe, and that it would have gone on longer, and would have been more disastrous than it has been, if it had not been for the operation of the Act; but whether or not the Act was the means of creating the abundance of money, I would not give an opinion.

4914. Will you carry your mind on to the difficulty of October; do you consider the Government acted properly at that time in suspending the operation of the Act?—At the time that letter was issued, I did not think that it would have produced the effect it did produce, and I do not think it would have produced that effect if it had not been for the high rate of interest that was fixed; and I will state my reason for so thinking:—A banker in Manchester stated to me that he had given orders to get a quantity of gold or notes almost on any terms, for he felt convinced that we were coming to a crisis, and he thought one-half of

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the country banks must fail; he thought nothing could save them; he said to me, "I got my money, but I did not want it; but if it had not been for the operation of that letter, I could not have got the money at any price; but because of that letter, which held out a prospect of every one getting what money they wanted at a high rate, I got my money, the full quantity I ordered, but I did not want it."

4915. Is that your opinion?—It is.

4916. You believe that if the letter had not been issued there would have been a greater commercial crisis?—I do.

4917. Then you approve, I conclude, of the issue of that letter?—I do; I take no credit for any foresight; but the rate of interest was so high that every one saw, that on certain conditions he could get money, and therefore in that, as in every other crisis, it was not a want of money, but a want of confidence, and confidence was completely restored among us; but previously to the issue of the letter, people who had been of the highest standing, and whose capital had been such as to entitle them to credit, could not get it; there was not any confidence existing; I can hardly describe how completely confidence was destroyed.

4918. What was the effect of the letter in Manchester?—It produced a very beneficial effect immediately.

4919. It restored confidence to a great extent?—It did.

4920. You were originally hostile to the issuing of that letter?—I did not think it would produce that effect.

4921. But having found that it produced the effect, you approve of the course of issuing that letter?—I do; because I judge of the thing by its fruits.

4922. Looking back to what has passed, if a similar crisis should occur again, do you think it would be necessary to apply the same remedy to the same evil?—I think there should be some latitude given, for there are peculiar crises that will arise; I think myself that we are in altogether an artificial state; we have too much legislation on all these points. I think the Bank has too much power for any one institution, however judiciously managed, as by a slight error it may increase or decrease the property of the nation many millions; and I think we have too much legislative interference with the operations of commerce, and that we must continually get wrong; for so long as the State seems to take so much care for us, we shall take less for ourselves. I think if we look to the Americans, and see how they were plagued with regard to the United States' Bank, and see how they go on now, we may learn a lesson; it may be foreign to the great question, but in my opinion it is impossible for the Bank of England, constituted as it is, to perform the functions and the duties which are expected from it.

4923. What is the course which you would recommend, for the purpose of placing the monetary system of this country upon a good footing?—I do not feel myself competent to give an opinion.

4924. You are in favour of allowing all banks to issue notes without any restriction?—No, I think that there ought to be a limitation; my own opinion is, that all banking business ought to be done in glass houses, that every individual who liked to see what was doing, should be able to do so, and that it should be made as simple as possible; and if we had not the Bank of England to take care of us, I think we should take better care of ourselves.

4925. Would you allow country banks and private banks of issue to issue without limitation?—I would not.

4926. You would limit them as they are at present?—The issue ought to be limited, in my opinion.

4927. Supposing you changed the constitution of the Bank of England in the way you have shadowed out, would you still continue the Bank of England, or would you get rid of it?—I regret almost stating what I have done, for I fear that I have entered upon a subject that I have not sufficiently studied; but I think commerce will never prosper or flourish till it is more unfettered than it now is.

4928. You would make banking as free as you possibly could?—Unquestionably; at the same time there must be a limitation to the issue of paper; I think the Government has no right to interfere with any trade or profession but that of bankers; a great many poor people have deposits with and place confidence in bankers; I conceive that those people should be protected; I

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think, therefore, that the Government ought to take ample security; real security, so as to cover the issues of the banks.

4929. Mr. Hume.] Is that the only interference that you think should take place?—I think it is, but I regret that I have gone into the subject, because it is a subject that I have not paid great attention to, any farther than my observation from day to day has enabled me to do; I some years ago got hold of a history of the plague of London, and, I think, that at some periods in Manchester we were in a similar state: everybody appeared afraid at every turn of meeting some bad news or some great disaster; we were really in a state which I cannot attempt to describe.

4930. Mr. Spooner.] When was that?—In April or May, and still more so in October or November of last year.

4931. Chairman.] You were stating that you thought the doing away with the Usury Laws had produced an injurious effect: will you explain the grounds upon which you hold that opinion?—I think it has permitted too high a rate of interest to be levied; I do not know that that may be the continual operation, but I believe money would have been obtained in the crisis at much lower terms; we never heard of 20 or 25 per cent. being paid for the discount of bills before the Usury Laws were repealed.

4932. You think it would have produced a better result?—I think we should have got through our difficulties with less cost, if the Usury Laws had still been in operation; but I have got into a subject that I did not intend to get into, because it is a subject upon which I am not competent to speak; I have not given it much thought.

4933. Have you anything to add upon the subject of the commercial distress?—No, I do not know that I have; I should have felt very much disposed to have said more than I have done relative to the China trade, and the advantage which that trade might be to this country, especially to our shipping interest; I would beg to make one observation relative to the effect it has upon that interest; the same amount of commerce to China would require ten times the amount of British tonnage and sailors that the trade with the States requires, inasmuch as a vessel will make three voyages to the States while she will make one to China; and one-half or two-thirds of the whole British and American trade is done in American bottoms; and therefore, I conceive it would require about ten times the amount of British tonnage, with the same amount of trade to China as to the United States, and that is greatly in favour of the British commercial navy.

4934. The repeal of the tea duty would not prevent these crises?—I do not know that it would, but I think it would have mitigated very much our past one, because there is no question, if we could have received a larger amount of the produce of China we could have greatly extended the trade with that country, and kept thousands of persons employed, who have been starving, without loss to the revenue.

4935. Do you think that there would have been no over-speculation if the repeal of the Usury Laws had not taken place?—Under the present system we must have speculation, and I think a good deal of that is owing to our monetary management, for whenever money is made abundant there will be speculation; there ever has been; we shall never be different in that respect; whenever money is made cheap and abundant, and within the reach of almost everybody, whether with capital or not, we shall have speculation, because a man without capital of his own can speculate.

4936. What mode would you adopt of preventing money being abundant?—I have nothing to suggest upon that; I do not think that we shall be free from these extreme fluctuations, so long as the Bank remains under its present varied management, and while it has functions to perform which are inconsistent with each other.

4937. Mr. Alderman Thompson.] You stated that you had entered very largely into the trade with China, and that your operations with that country turned out unprofitably?—Very much so.

4938. Will you state when your operations in the trade with China commenced and when they ended?—I had done some business with China for many years, but I did a much larger business after the peace with China.

4939. Mr. Spooner.] In what year was that?—I think it was in 1844.

4940. Mr. Alderman Thompson.] Your exports to China principally consist of cotton goods?—Of cotton and woollen goods.

4941. What

4941. What returns did you receive from China?—Principally tea, and occasionally silk. *R. Gordon, Esq.*

4942. Any bills?—Yes.

4943. Of what date?—Six months after sight.

4944. Then you did not entertain so strong an objection to the system of those Indian houses drawing and selling those long dated bills, as to induce you to direct your correspondents in China to refuse to take them?—No, I did not; because at that time I had confidence.

4945. That is, you had confidence in the stability of the drawers and acceptors of those bills?—Yes.

4946. What gave you confidence then, and what has now induced you to change that opinion?—My ignorance of the real position of some of them; I have not changed my opinion as to all; my friends, when taking bills, cannot consult me about whose bills they should take; I have had many good bills and I have had some bad ones.

4947. But it was perfectly competent for you to direct your correspondents in China to take bills at three months and not six months after sight?—I never saw a China bill at three months; I do not mean to say that there have not been such bills, but they are a very small proportion.

4948. I believe you are perfectly right in that; but I understood you to state in your evidence that the disastrous consequences which have fallen upon the houses engaged in the China and East India trade arose from the long dated bills remitted in April, and from the facility the Bank of England gave in discounting those long dated bills?—No; I have stated that those extended shipments were gone into from a conviction that there would be a considerable reduction in the duty on tea; the shipments to China have been with a view to produce; I am not aware of much speculative drawing from China.

4949. Then are the Committee to understand that you conceive that those disasters which have befallen the East India and China houses have not so much arisen from the practice of drawing long dated bills, as from the disappointment that has been experienced from the continuance of the high duty upon tea?—You mix up the China and East India trade together, but they are perfectly distinct; and I wish to speak of them as distinct and separate from each other.

4950. But I am speaking of the date of the bills drawn from China and our possessions in India; they are drawn at six months after sight, almost invariably, and therefore I am confining my attention at present to the length of date of the bills of which you have been complaining, and to which you have attributed a good deal of the disasters which have befallen those two branches of trade; and I am anxious to know whether you attribute the disasters to those long dated bills, or to the disappointment which has been experienced from the continuance of the high duty on tea, as relates to China?—As relates to China, I attribute the disaster not to the bills, because we know that the bills that are drawn, whether for six months or three months, represent produce; the great loss that has been sustained in that trade, has been entirely owing to the conviction entertained, that there would be a great reduction in the duty on tea. We thought, in Lancashire, after our Government had taught the Chinese, at the point of the bayonet, the advantage of free trade and low duties, they would have subsequently practised it themselves, and Sir Robert Peel and Lord Palmerston joined in holding out a very great extension we might expect in our commerce with China, and in consequence of those expectations being held out, many large mills were built and fitted with machinery calculated for that trade. I give it as my opinion, that out of the 46,000,000 lbs. of tea that were consumed in this country last year, it did not realize to the importer more than 1,850,000*l.* or 1,500,000*l.*, while, I believe, the country paid 10,000,000*l.*, out of which, the revenue was 5,000,000*l.*

4951. Is it not the fact, that all goods imported into China pay a duty of only 5 per cent.?—Yes, about that.

4952. Does not that approach free trade?—Very nearly; but that is only on one side; if they had retained the former duty on a piece of shirting of 10*s.*, instead of, as now, 7½*d.*, and our Government had reduced the duty on tea to 1*s.*, it would have been about the same, but now our Government get the whole duty.

4953. If the long dates at which bills are drawn from India and China be really a grievance, is it not within the power of persons connected with the trade

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to shorten the date of the bills, if they think fit?—No question they have the control, and they are exercising it at present; at the same time, when they had confidence, such bills were the usual currency of India and China.

4954. If I understood you rightly, in the course of your examination by the Chairman, you reflected upon the conduct of the Bank of England in making temporary loans upon six months' bills?—Yes.

4955. You are aware that the Bank of England does not discount bills at more than 90 days' date?—I am aware of that.

4956. Do you think that if the Bank of England had refused to make the temporary loans upon bills drawn from India and China, at six months, it would have been beneficial to the trade, and consequently have given satisfaction to those, yourself among the rest, who were carrying on the trade with India and China?—It would have been beneficial, inasmuch as it would have tended to check it, and give to capital its proper value; whenever money is easy to be obtained, it tends to promote speculation; if the Bank had never given any accommodation beyond that of discounting bills at three months, we should never have had the extent of speculation that we have had.

4957. Then was it in consequence of the Bank making temporary loans upon six months' bills, that you were induced to extend your trade with China?—I do not mean to say that it was in consequence of that alone; there are a great many things combined; but I know that, much evil has resulted from that; because, even in July 1847, the Bank was doing that, when we were suffering excessively in Manchester, and my opinion is, that the Bank has frequently changed its system; at one time, when we were in great distress in Manchester, it was easy to obtain money of the Bank upon loans upon that paper; and then, when they saw the mischief which had resulted from it, they would not give any accommodation on such paper.

4958. Have you had a long experience in business?—Pretty nearly 40 years.

4959. Have you not found, during that experience, fluctuations in the value of money?—No doubt of it.

4960. Have you given particular consideration to the Act of 1844?—I have not; I do not conceive myself to be very competent to speak on the working of that Act, but I give the impression which is left on my mind, that whether or not that Act tended to make money cheap, which many of my friends give it as their opinion that it did, I am sensible of this, that it tended to check speculation earlier than it otherwise would have been.

4961. Are you aware that that Act limits the power of the Bank with reference to its circulation?—Yes.

4962. Are you aware that that Act limits the Bank to an issue of 14,000,000*l.* upon securities, and that all the rest of the issue must be upon gold?—Yes.

4963. Must it not therefore follow, that so long as the gold diminishes in the Bank of England, they must diminish their circulation?—No, that has not always been the case; if they had adhered strictly to that rule, it would have been better for the country.

4964. Will you be good enough to state an instance in which the Bank have not adhered to that principle?—I cannot do so at this moment, because I have not the evidence before me.

4965. Do you mean to say that you know instances in which the Bank of England have not regulated their issues by the state of the gold, and their accommodation in the form of discount, by the state of the reserve in their possession?—I cannot refer to cases at present, but I have a strong impression that they have not done so in all instances; but there can be no dispute upon that point, because the accounts are published, and if you examine the accounts, I think you will find that they have not in all cases acted upon that principle.

4966. When a gentleman of your great experience comes here, and charges the Bank with mismanagement in not adhering to the principle of regulating their issues by the amount of bullion, do not you conceive that it is incumbent upon you to show those instances, before you make that large and unlimited censure?—When a witness comes before a Committee of this sort on so large a question, it is not possible for him to furnish his mind so as to be ready to answer every question that may be put, but all those documents are published, and if I have made an assertion that is not true, there is the record against me, and I will admit my inaccuracy if it is shown me; but I think there can be many instances shown in which the Bank have not adhered to that principle; I come here to give my opinion upon various matters; many of those

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are facts that I can speak to from my own observation, and others are as strongly impressed upon my mind, as if they were direct facts coming within my own knowledge.

4967. Do you not conceive that the reduced value of money, and the consequent abundance of money in 1846, were owing to the large accumulation of bullion in the hands of the Bank of England?—I believe that was the case; at the same time we have had a larger amount of bullion in the country since, and yet the Bank has been very chary in regard to discounts; at the time I now speak of, the Scotch and Irish Banks were not compelled to keep gold for themselves; we had 16,000,000*l.* as the largest amount of gold, and within the last few months we have had a greater amount of gold in the country than that, and yet the Bank have not been so liberal in their discounts.

4968. Is the Committee to understand that the Bank of England have had a larger accumulation of bullion at any period since 1846, than they had in 1846?—No; but taking that which the Bank of England held in her coffers, and that which was held by the Bank of Scotland and the Bank in Ireland, we have had a greater accumulation of gold than we had in the previous year.

4969. What do you think was the effect of the Act of 1844 upon the public, especially the commercial part of it, in September and October of last year?—It was very severe, there is no question about it.

4970. Do you think that the pressure would have been equally severe if the law had not been altered in 1844?—There were so many things bound up together, that it is impossible to say; I have stated it as my opinion, that I believe the Act tended to check the rise of speculation which would have gone on to a still greater extent, and its effects have been still more destructive, if it had not been for the operation of that Act.

4971. But speculations were the most rife in the year 1846?—In 1845 and 1846.

4972. And that of course was subsequent to the Act of 1844?—Yes.

4973. Then it follows that the Act of 1844 did not prevent speculation?—Certainly it did not; I never meant to say that it did so.

4974. Are you aware of this, that, by the Act of 1844, the Bank of England is divided into two departments, the issue department and the banking department?—Yes.

4975. And that in reference to the banking department, they can only afford accommodation to the public in the shape of discounts or loans in proportion to the reserve, to such an extent as they may think prudent and wise, of course being influenced by the same principle that would influence a private banker in discounting and lending money to his customers?—I am aware of that, but I can only reply to that by giving the result of my observation of their transactions; at one time it was very easy to get their money to any extent, but at another time it could not be obtained at all, and I attribute that difficulty very much to the immense absorption by railways. In 1845 and 1846 money was made so abundant that everything was thrown completely out; we were all off our balance; the China trade, railway mania, and the cheapness of money, assisted all that, and then the failure of the potato crop and the indifferent harvest came on, with a certainty of the export of gold to meet those payments, and the people in the corn trade went off to America under the impression that we had no corn here, and that famine was likely to be the consequence, and we were forced to pay for that corn in gold, or bills at one or two months; and in consequence it is a matter of history that the gold did go to America, but it is also a matter of fact that the gold has come back from America through the purchase of our manufactures; in reality the bread-stuffs have been paid for by them.

4976. You occasionally look to the accounts of the Bank of England?—I do.

4977. You find that their amount of reserve varies from week to week?—Yes.

4978. Will not that circumstance account for the variation in the rate of interest charged by the Bank of England, and in the amount of bills which they discount from week to week?—No doubt it must do so.

4979. Then is it not impossible for the Bank of England at all times to maintain a fixed rate of interest, and a fixed amount under discount?—No doubt it is; it is a fact that they cannot do it; and I think that the Bank of England has functions to perform that it is impossible for them to perform; I think that the two departments are perfectly inconsistent one with the other.

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4980. What departments do you mean?—The regulating of the exchanges and the providing a dividend for their proprietors.

4981. How do the Bank of England regulate the exchanges?—By the issue of notes.

4982. If those notes are issued against gold, how do you make out that the Bank regulates the foreign exchanges?—It is impossible to go into all the details, except I was familiar with the accounts of the Bank of England, and we had them before us to refer to; but I think it is a notorious fact, which may be established, that there has been a great variation in the system of the Bank's management.

4983. Did I understand you rightly to say, that you thought that under the Act of 1844 there ought to be a relaxing power placed in the hands of some person or other?—I do think so.

4984. In whom do you think that relaxing power should be placed?—In the hands of men who understand it.

4985. Who do you think those persons would be?—Commercial men; it is not every man who understands banking operations; it would not be right, for instance, to place it in my hands.

4986. Supposing the Act were about to be altered, could you suggest anything by which you could carry out your principle of having relaxation when occasions required it?—I cannot venture to suggest any method, inasmuch as I have been wrong before; I stated, that at the time when the letter of Lord John Russell and the Chancellor of the Exchequer was issued, I was of opinion that it would not have produced the effect that it did, restore confidence; but it is still my opinion, it would have failed to do so, if the rate of interest had been fixed lower.

4987. Mr. Home.] Did I rightly understand you to state that one cause of the great speculation was the cheapening of money, and that the Bank of England had contributed to that by making advances on long Indian bills?—I do not happen to know that when money was cheapest they were doing so, but I have reason to believe that they did; but I know that they were making advances upon long bills in June or July last year, when we were suffering extremely in Lancashire for the want of money.

4988. You stated that at the time there had been a great anxiety in Manchester, as to what intelligence the next post should bring respecting the state of the money market; do I understand you by that, to complain of the irregularity of the issues, or the state of credit maintained in the metropolis?—No; I think that a want of confidence existed in every part of the country; there was a want of confidence to an extent that I never had experienced before; the panics of 1825 and 1826 were as nothing in comparison to the distress which has prevailed now; when you take into consideration the over-trading with China and the East and add to that the excessive railway speculation, and the failure of the potato crop, and indifferent harvest, and the great export of bailion, I think you must see that there never was any former period of our commercial history in which there have been so many circumstances combined to distress commerce.

4989. Then is it your opinion that the combination of so many circumstances led to the excess of speculation, and the losses and want of confidence that followed?—No; the speculations were entered into long previously, when money was so cheap; and it was the combination of those circumstances which produced such a ruinous termination of them.

4990. Do you mean to attribute to the Bank of England any fault in their management, farther than might arise from the increase or decrease of their discounts?—Not any fault which acted as a leading or primary cause of the distress, more than I have before stated.

4991. I understand you to have expressed an opinion, that the interests of this country would be best promoted by removing, as far as possible, all restrictions on commercial and manufacturing interests?—Yes; I think commerce would be more prosperous and subject to less fluctuations if it were less fettered.

4992. Do you consider that the banking interest also should come under the same category of being free from any legislation and restriction, save and except that Government should require from parties issuing paper ample security for the amount of paper that they issue?—Certainly; that is exactly my view.

4993. Did I understand you to express it as your opinion that you doubted whether

whether the repeal of the laws of usury (for that is a removal of restrictions) had been injurious or beneficial?—I think that if the Usury Laws had been in existence we should have got through our difficulties at a much less expense; but removing one restriction and leaving others, fails to produce the desired effect.

4994. Did it come to your knowledge that money could be raised for 7, 8 or 10 per cent. by individuals who, if the Usury Laws had existed, would have been obliged to fail for want of accommodation?—I think they would have got money on easier terms than they have done. If the Usury Laws had been in existence, 25 per cent. could not have been charged for the discount of a bill; and is it not probable that with them that bill would never have existed, but if it had, would not the same money have been applied to its discount at 5 per cent.? With the Usury Laws, every other monetary restriction ought to be removed; had they existed, the Bank of England could not have charged 10 per cent. discount; and at the ordinary rate would they not have granted equal accommodation?

4995. But as you have expressed an opinion, arising from 40 years' experience, that the removal of restrictions would be in general beneficial, I wish to know whether there are any particular reasons why you think restriction ought to be continued on the value of money, and that it should not follow the same rule as should be applied to any other article?—It appears reasonable that it should be so; but when I expressed that opinion before it was with a limitation, and I said that commerce had never been subject to such excessive discounts at former periods as it has been latterly; 7, 8 and 15 per cent. were the common rates paid for three and four months' bills, and very frequently as much as 10 per cent. for one to two months' sight bills.

4996. Are you not of opinion that commercial men in buying and selling should be allowed to act on their own opinion, free from any legislative restrictions?—Yes.

4997. Do not you think that the use of money should be left equally free as the use of other articles?—I think it should be if it was so in other respects, but it is not so; if we had not the Bank of England to regulate the money, it might be so; it is free in one sense, but it is not in another.

4998. What do you mean by the Bank of England regulating the money?—They regulate the exchanges by the issue of notes, at least as far as they can do so; but that they have, in fact, no power to do it; we have latterly seen as much as 10,000,000*l.* unemployed notes in their hands, and therefore it is impossible that they can regulate it.

4999. As a merchant, are you not of opinion that the rate of exchange must depend on the balance due either way between England and whatever country the exchanges are with?—There is no question about it; it is the commerce that regulates it; the whole of the trade is barter, and of course it regulates the exchanges, at least it ought to do so; but there are many circumstances connected with it; I fancy there has been a large amount of British property that has been invested in various foreign funds, which people have been lately getting home; there has been a discount of 10 or 15 or even 20 per cent. allowed for immediate payment in the foreign market, and there has been a great amount of British capital lately brought home, in consequence of its high value in this country.

5000. Admitting all those effects which must arise from loans abroad or remittances to England, how can the Bank of England, by the issue of bank notes, varying seldom more than a million or a million and a half, from one quarter to another, affect the exchanges?—I do not know how it can affect the exchanges, but it does do so; they profess to regulate the exchanges by their issues, but they cannot do so, because you find at one period they have a large amount of notes on hand which they cannot put in circulation, except on terms which they do not think themselves justified in taking; and at other times the amount is small.

5001. Do I understand you to say, that if the Bank of England should attempt to regulate the exchanges, it is not in their power to do so?—They do attempt to do it, but it is impossible they can do so.

5002. Mr. Spooner.] You said you sold your goods, that you sent to China, at 15 per cent. loss?—Yes, in one or two instances, others from 2½ to 5, and as much as 15 per cent. loss.

5003. What did you receive from China?—Tea.

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5004. How do you estimate the loss upon your goods?—By the exchange of the day; there is a certain exchange always; a dollar varies, it may be worth 4s. 2d., or 4s. 3d., or 4s. 4d., and up to 4s. 9d.; therefore, in selling my goods, I calculate them at the exchange of the day; and I stated before that my friends had submitted to this loss from the conviction that they could purchase tea at a price, that they believed would realize a large profit in this country, which would more than compensate the loss by the goods; that was the consideration; but instead of the tea realising a large profit here, it realised a very large loss.

5005. You calculate the price in dollars; do you really receive the dollars?—My friends do, except it is a barter transaction; a great many of the transactions in China are bartering goods for tea, or silk, and that is the great advantage that the Americans have over us; and they are interfering with and taking away our trade, and they will soon have the whole of it, because they levy no duty at all upon tea; and we being the principal purchasers of tea there, keep the price of it low, and the Americans exchange it for their manufactures, and as they have no duty upon tea whatever, it is the interest of the Chinese to have transactions with the Americans rather than with us.

5006. In the barter trade you exchange tea for your goods?—Yes; but even then it is regulated by the exchange of the day; my agent will say, "Here is a sixteen at the exchange worth so much," and he will take tea in the same proportion.

5007. But you do frequently receive dollars for goods?—Yes.

5008. What would have been the result, if you had sent those dollars home, instead of laying them out in the purchase of tea?—It would have been a better transaction, though that would have been attended with loss; I should have lost merely what I lost by the goods; the dollars would have been worth what I had given for them, but the tea did not turn out to be within 15 or 20 per cent.; in fact I have had some tea that has been a loss altogether.

5009. Then your loss arose from taking tea at a barter; you purchased tea at a high rate as compared with what it would fetch when it came here?—Yes.

5010. Do you not call that speculation?—Yes; but if you have a large sum in China you must do the best you can with it; you ship the goods from what you consider the best information, and you make a calculation that it will be a profitable transaction; but in consequence of retaining the same amount of duty upon tea here, there is a loss; we all calculated upon a great reduction in the duty on tea, inasmuch as we were quite confident that it would be found beneficial, and not attended with a loss to the Exchequer; I have no hesitation in giving it as my opinion, that if I had farmed the revenue I would have reduced the amount of the duty to increase the revenue.

5011. The original export of goods was a speculation?—Yes.

5012. And that original export of goods took place during the operation of the Act of 1844?—No doubt it did.

5013. Then the Act of 1844 did not stop speculation?—No, it did not.

5014. Are you aware that the effect of the letter which came out in the month of October, was to suspend the operation of the Act of 1844?—To a certain extent.

5015. And as soon as the Act was suspended to a certain extent, great relief arose?—No question, it restored confidence.

5016. Are you then still of opinion that the Act of 1844 did nothing to increase the distress of the country?—I have declined, from the first, to give an opinion whether the Act was the means of creating a greater abundance of money, or not; I must give it as my opinion that, if it had not been for the operation of that Act, speculation, rise and fall as it was, would have gone on to a much greater extent, and a longer period, and have been more destructive than it was. When we saw that bullion was leaving the country for the purchase of food, we were quite convinced that the Bank must, in consequence of that Act, restrict their circulation; therefore, that was the first beacon that warned the people of the danger that was approaching.

5017. But the speculations which led to the ruinous losses had been entered into under the Act of 1844; they had been entered into before the country took the alarm?—No doubt of it, the shipments to China were entered into in 1844 and 1845 principally.

5018. Then, if the object of the Act was to warn people against entering into speculation, the Act has not answered the purpose?—It is evident that it has not prevented

prevented speculation, but, at the same time, speculation occurred before the existence of the Act, and I do not mean to say it has increased it.

5019. Do you mean to say that there ever was so great a cheapness of money before the Act of 1844 as there has been since the Act?—Yes, I think we have had money as cheap before; I think in 1832, 1833, 1834, money was as cheap, but I state this simply from a circumstance that occurred. A gentleman stopping at my house observed to me, "Money will yield no interest, and people with capital have to live at the end of it;" I remember his making that observation at the end of 1833.

5020. To what do you attribute that cheapness of money to which you ascribe the speculation?—To the great amount of confidence; the supply of money does not vary on the face of the earth, or in this country, but one extreme produces another. Confidence varies more than the quantum of gold or silver.

5021. What created the confidence?—Profitable trade; the profit in present possession and in anticipation. People calculated, as I have before stated, upon a very profitable and very extended trade with China, which has proved ruinous and disastrous to so extreme; then, we know all railway speculation was extremely profitable in the first instance; you had nothing to do but to get up a line, and before the scrip could be issued, it was sold at a very large premium.

5022. You have stated that one effect of money being so cheap was to set on foot a great quantity of railroads, and that those railroads absorbed all that money?—Afterwards they did, but they had not absorbed it at the time; I state the fact that, before the Railway Bill was obtained, the scrip arrived at a very great premium; and if you had brought out a line even to New York or Calcutta, it would have been at a premium. Such was the state of excitement, that parties would not have seen its impracticability.

5023. But afterwards the quantity of circulation was lessened?—The circulation was not lessened; the amount of capital was lessened, but not the amount of circulation; inasmuch, as in constructing a line which cost 1,000,000 £, or 10,000,000 £, you did not absolutely bury in the ground a shilling, or a penny, or a sovereign; it lessened the amount of capital, but it did not at all affect the amount of circulation.

5024. It lessened the amount of capital in the same person's hands, but did it not leave the same amount in other people's hands?—Yes; but in railway works, which are perfectly profitless.

5025. But who received the money?—The railway labourers, the lawyers, and the engineers, but the railway was profitless; if the money had been sunk at the bottom of the sea, it would have been as useful.

5026. When the labourer received the money, what did he do with it?—He spent it, and the shopkeeper received it, and the shopkeeper spent it again.

5027. You say that great distress was occasioned by the absorption of money that before had been so cheap, and which was afterwards absorbed, and became so dear; I wish, therefore, to know, how the laying out of money in railroads absorbed or took it out of the money market; the money changed hands, but did it not still remain?—Of course; the sudden transfer of so large an amount of floating into fixed capital, has produced an entire derangement of all our manufacturing and commercial operations, and has withdrawn from them too great a part of our working, or loose capital, by which we keep our mills going. I may have mills and machinery, but if I have no loose capital to work them with, they must stand, and be as profitless as some of our railways. With floating, or loose capital, I go to Liverpool, purchase a fortnight's stock of cotton, spin it, manufacture and sell it, and with the money repeat the operation, or, if necessity requires it, export the goods to buy flour with; this, I call floating capital. But capital sunk in profitless railways, I call capital doubly fixed; if the entire floating capital for carrying on our manufactures was transferred into the Bank of England, it would be still in the country, but would it produce no derangement in our manufactures?

5028. It is not made less profitable?—It is made less profitable, because it is sunk in railway construction; if you have 20,000 £ sunk in a railway, that is perfectly profitless, and likely to remain so; you are 20,000 £ poorer than you were before.

5029. But somebody else has got the money, and therefore he is 20,000 £ richer?—It is capital that is sunk in railway construction, which is perfectly profitless; it is the same as if you had sunk capital in a house of which you could get no rent, and which is profitless to you.

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5030. You stated that the money being in such abundance, was so cheap, that it was advanced to railways; how did that take the money out of the market?—In this way; a friend of mine had 100,000*l.*, he is a manufacturer and spinner and shipper, and was perfectly at ease and independent of his banker; he was frequently importuned, first by one person, and then by another; one said, "I have made so much by railways; you have 100,000*l.*, in your business, it is yielding you barely 5 per cent.; I have made five times as much by embarking 20,000*l.* in railway speculation, as you have made with your 100,000*l.*;" and he was at last induced to take 30,000*l.* out of his manufactory to invest in railways, in consequence of which he is so much poorer, and he has suffered great inconvenience from it.

5031. But still the money is in circulation; it is not the less in the market?—The money is sunk in that which yields nothing, and if it should please God that we should have another famine, you could not export railways to pay for corn.

5032. Have you less money in circulation?—We have not; but if you had half your property invested in railways that were unproductive, you would find yourself so much the poorer. It gets into hands who have not the means of applying it to productive labour or active circulation; it becomes stagnant or fixed, instead of active capital.

5033. I understand that you are a free trader, from the heart?—Yes.

5034. And yet you are at the same time in favour of limiting the bank notes; upon what principle do you recommend such a limitation?—I would give bankers liberty to issue as many notes as they please, provided they will give security to the public for the payment of them.

5035. Why should a banker be called upon to give security to one set of his creditors and not give security to another set; he owes money upon deposits and upon current accounts, and he gives no security there?—Parties who deposit money with a banker ought to satisfy themselves about his responsibility, but as regards a man who has the privilege of coining money and supplying the poor and ignorant, that know nothing about it, with bank notes as if they were sovereigns I think they have a right to be secured.

5036. Is the issuing of notes the coining of money; a man is free to take it or to refuse it, as much as the man who makes a deposit is free to make the deposit or not?—I call it coining, because he manufactures it without cost to himself; a man cannot be said to be free to take it or not, if he can get nothing else.

5037. Is he not liable to pay it at any moment?—Yes; but the bank note falls into the hands of those who are not competent to form an opinion whether it is safe to take it or not.

5038. You are a friend to free trade, but you would limit banking?—I think every person issuing a note ought to give security for the payment of it.

5039. You say a great deal of mischief has been done by the Bank of England lending money upon long dated bills?—I know that they have been in the habit of doing that.

5040. Would you propose to prevent the Bank doing that?—The fact is, that the Bank of England must employ their capital, or they would have no dividend for their shareholders, and if they cannot make money in one way they must make it in another; therefore I say the functions of the Bank are incompatible one with the other.

5041. You do not propose to put any limit upon that?—I merely spoke of the thing as a matter of fact, that they had done so.

5042. But you do not propose to limit it?—I do not think I have a right to limit them; they must employ the money so as to make a profit by it.

5043. Then that evil must remain uncured?—Yes.

5044. *Mr. Cobden.* You are aware that in October of last year, a deputation went to the Government from the bankers in London, to request the Government to authorize the Bank to relax the rule, and to issue an increased amount of notes?—Yes.

5045. Are you also aware of the fact, that no deputation went from Manchester to the Government requesting such relaxation?—I am not aware that any deputation went from Manchester.

5046. You stated that you yourself were not favourable to that relaxation previously to its occurring?—I was not; I did not think it would restore confidence.

5047. And I believe the general feeling amongst the most influential men in Manchester was the same as your own, that it was not desirable to relax the rule?—We were all anxious to see the effect produced, which was produced; but

but I think that many, along with myself, did not think it would produce so favourable an effect as it actually did; for it is a fact that it did restore confidence to a great extent, and I attribute that confidence to the high rate of interest that was fixed, because it opened a door to every one to obtain money at a given price.

5048. You stated that you would like the Bank to have some discretionary power to relax the rule in extreme cases?—I said that in consequence of the effect which has followed the issue of that letter, but I should not have given that opinion previous to that letter being issued; but that letter did create confidence; it was the opinion of a great many intelligent men that have studied banking more than I have done, that there should be some relaxing power connected with it.

5049. You have stated that you would not like to give that power to the directors of the Bank of England as at present constituted; you have stated that you would wish it to be applied by men of business?—Men that really understood it; I have stated before, that I think the management of the Bank is unsound; I know that my business could not be carried on or the Government be carried on with such a perpetual change, because the chairman, by the time he becomes familiar with the management of the Bank, is moved out of office, and it goes into fresh hands; I think it would be of great advantage to the Bank of England, as well as private banks, that it should be under the control and direction of some permanent officers, that might take observation from the same position, and watch the proceedings of various houses.

5050. Have you ever considered the danger that the mercantile interest might incur by entrusting the discretionary power of increasing or diminishing the issues, from the abuse of that power, at a time when it was not required to have an increased issue by the mercantile or commercial classes?—It would be very dangerous; but it is a difficult thing to settle, there are so many circumstances contingent; what would be discretion at one time, would be at another indiscretion; circumstances alter so greatly; for instance, we had the China trade and the railways, and then famine came upon us, and gold was taken out of the country.

5051. Are you aware that there was a great complaint among the manufacturers of Manchester, that the Bank of England caused the panic of 1836 by excessive and unadvisable issue of paper money?—It was understood so.

5052. Are you aware of the fact, that a memorial was sent from the Chamber of Commerce, with an elaborate calculation of the loss occasioned to the trade of Lancashire in consequence of the conduct of the Bank of England?—Yes.

5053. You are aware that witnesses were examined before the Banking Committee in 1840, complaining of that mismanagement?—Yes.

5054. Which mismanagement caused the panic and distress and loss of capital in Lancashire, by granting facilities at an exceedingly low rate of interest?—Yes; that was generally understood to be the cause.

5055. You are aware that Sir Robert Peel's Act, which followed that Banking Committee, generally met with the approbation of the Lancashire community?—I believe it did.

5056. Because they thought it would take that discretionary power out of the hands of the Bank, which had been abused in 1836?—Yes, that was the impression.

5057. Can you conceive of any mode by which you could give to the Bank directors the power of meeting, with a discretionary power, such a crisis as occurred in last October, which would not at the same time leave them the power to cause the mischief that was complained of in 1836?—I think, in reply to that, that there are really so many contingent circumstances to operate, that it would be a dangerous power to be entrusted to the hands of those in the management; very much would depend upon the judgment with which it was exercised; but at the same time it is a fact, that if it were a discretionary power it might be used beneficially or otherwise.

5058. Mr. Glyn.] You have already said that we have had money as cheap since the Act of 1844 as we had in the year 1836?—I very much question whether it has been as cheap since the passing of that Bill as it has been at former periods; if my memory serves me right, it was cheaper in 1833 and 1834 than I have known it at any other period.

5059. Was not the rate of interest in August and September 1844, 2½ per cent., and rather lower, throughout the country?—I think the Bank rate was never below 3 per cent.

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5060. Mr.

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5060. Mr. Cayley.] If you were mistaken as to the expected effect of the letter of the Government in October 1847, which you acknowledge yourself to have been, might not that induce a supposition that you may be mistaken in your opinion as to the Act in general?—No question about it; I do not profess myself to understand a great deal of banking; I think, with respect to the management of joint-stock banks, they should be put under proper supervision; by our joint-stock banks in Manchester we have lost in 12 to 15 years above three millions of money; the Royal Bank of Liverpool has given credit to one individual to the amount of 550,000*l.*; I refer to Mr. Higginson, and he had an uncovered cash advance of 407,000*l.* and 143,000*l.* for which they held security, though, I believe, a good part of that security has failed them; some of our joint-stock banks in Manchester have made bad debts to the extent of 250,000*l.*; it does appear to me that it is necessary to put them under some supervision that does not exist at present. I had very large transactions with a party; I had given him credit to the amount of 50,000*l.*; his house had been purchasing sugar for Mr. Higginson, to a very large amount; I expressed my want of confidence, and he replied to me, "People who are upon the change and have nothing to do but to talk scandal, I am not surprised at, but I am surprised at you;" he added, "You are calling in question the responsibility of Mr. Higginson; it is true we have bought about 110,000*l.* worth of sugar for him, but in consequence of the dearth of freight, or the impossibility of obtaining it, he at one period had paid 50,000*l.* worth of our bills before he could get a document to pawn; he gave me a list of vessels which are worth 90,000*l.*; he stated, that he had 12 cargoes of sugar in the hands of brokers in London and in Liverpool, on which he had not obtained one shilling;" my friend knew that he had paid 50,000*l.* worth of bills without having an invoice or bill of lading to pledge, and he went and examined, at the custom-house, the registers; he found there was no mortgage upon those ships; he got them valued; they were stated to be worth about 80,000*l.*; he went to the brokers and said "You hold a large quantity of sugar?" "We do, we hold so and so;" "I suppose you have made a large advance upon it?" They replied, "We have not advanced one shilling;" "Now, Mr. Gardner, here is property representing above 200,000*l.*, upon which he has not got one shilling advanced;" but he was not aware at the time that he had an uncovered balance of 407,000*l.* at the Royal Bank of Liverpool, and that he owed them a further sum of 143,000*l.* upon which they held security.

5061. *Chairman.*] When did this conversation take place?—The conversation between me and my friend occurred in July last year; I had transactions with him, and I objected to receiving any bills on Mr. Higginson's account, as early as February, and again in May 1847; and this conversation in which he gave me this information took place in July; but Mr. Higginson's failure did not take place till the latter end of October or the beginning of November.

5062. *The Chancellor of the Exchequer.*] I understand you to say that this conversation took place in July?—Yes; Mr. Higginson's failure took place in October; the first conversation between me and my friend, in which he referred to the ships and the sugar in the broker's hands, and to the bills paid to the amount of 50,000*l.*, took place in July; he did not fail till October.

5063. Mr. Spooner.] Is it your opinion that those banks should be put under restriction?—I would put them under inspection, not under restriction.

5064. Mr. Cayley.] You say that the Manchester people did not go on any deputation to Government last year for the relaxation of the laws of 1844?—I am not aware that they did.

5065. Were they prevented, do you think, by the ill success of the Liverpool deputation which went up for a similar purpose?—No; the Manchester people are very much disinclined, I think, to interfere in that way, except on great emergencies; the Liverpool people have frequently sent up deputations, when the Manchester people have declined to join them, and I think they declined to join them on that occasion.

5066. The Manchester people were rather strong in their approbation of the Act of 1844 when it passed, were not they?—I think the Manchester people, generally speaking, approved of it.

5067. Do you think they expected from it the effects which resulted in the year 1847?—No; it is a very specious measure, and I myself, as an individual, and many others, thought very favourably of it; we thought it would produce all the effect that it was professed it would do, that it would regulate our currency.

5068. Was

5068. Was one of the effects you expected, that it would prevent those alternations of distress and prosperity which occurred formerly?—We anticipated that from it.

5069. You were disappointed in that?—Yes.

5070. The Manchester people, in that respect, did not prove very sagacious prophets?—Certainly not.

5071. The result of your evidence is that the two most disastrous years in English history were the year of the plague, and the year 1847?—There is no period that I recollect, since I have been engaged in business, which can be compared with 1847.

5072. And you compare it with the year of the plague, the most disastrous year with which you could compare it?—It is very much worse than the most disastrous period I ever knew.

5073. You say that money was absorbed and made dear by the railways; will you explain how it happens that with the same amount of calls as existed at the time when you say the money was absorbed by the railways, there is not a dearth of money at the present moment?—There is a dearth of money at the present moment; you may, at present, get good short bills discounted with great facility, but at the same time, with long bills for four and six months you could not get them discounted at all, till within the last fortnight; I have been told that there has been a very large business done in Manchester within the last fortnight that is to be paid for in six months' bills.

5074. And yet the railway calls have been going on as fast as ever, and as largely as ever?—Yes, it is the payment of those calls, month after month, which has been, and is, so oppressive to the money market; at the time of the great railway mania the payments were only contemplated, not made; it is this continuous payment from that period to the present which has caused such an immense transfer from floating into fixed capital.

5075. Do you know what the amount of railway calls is this month?—About 3,000,000 £, I think.

5076. Is that less than it was in 1846?—I do not think it is, but it is much less than in some months of that year.

5077. Has the amount of railway calls in this country ever exceeded 36,000,000 £ a year?—I am not interested in railways, and therefore I cannot speak to that.

5078. You have stated that money was made dear by the absorption of capital in railways; I wish you to account for the fact of money not now being dear, though still railway calls are going on at nearly the same pace as ever?—Money is dear at present; I conceive that one-third of all the capital in commercial and manufacturing and mercantile interests has been taken out of Lancashire.

5079. Taken out by what?—By the railways, and the excessive losses on commercial transactions.

5080. If capital had gone out of the manufacturing districts from any such cause, would not that have tended to produce a scarcity of high prices of goods?—No; because there is comparatively no demand for goods; it is a notorious fact, that the production has fallen off one-third in the year 1847, and therefore, though there is a much smaller demand from abroad, yet the production of goods is only about two-thirds in 1847 what it was the previous year.

5081. Then the cessation in the production of goods is attributable, not to the want of supply, but to the want of demand?—Both; the home demand is comparatively small, as people have not the money to spend, or manufacturers the capital to hold stock, as formerly.

5082. Do you think their poverty is caused by the distress of last year?—Yes, and the present state of Europe.

5083. Does that prevent the revival of trade?—To a certain extent.

5084. Has trade begun to revive?—It is a little better; but there is no continental demand. Our trade is all over the world, and any lack of demand from any quarter produces a general depression; and the present season of the year, when we should have usually a large continental demand, we have none.

5085. Had trade begun to revive before the late revolutions broke out?—Yes; I have every reason to believe that we should have been in a comparatively prosperous state if it had not been for the revolutions.

5086. Do you think that such a year as 1847 does not tend very much to deter mercantile men from resuming operations?—No question about it.

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5087. You may recollect that mercantile men were very indisposed to enter into mercantile transactions for a number of years after 1825?—No doubt of it; nor had they the means.

5088. And the same after the year 1839?—Yes.

5089. When mercantile men are so indisposed to enter into mercantile adventures, does not that gradually tend to produce a glut of capital?—It ought to do, but manufacturing and commercial capital is very greatly reduced.

5090. Would it not tend gradually to a glut in the money market, supposing, for the sake of argument, in a good state of trade, that 100,000,000*l.* was employed in mercantile and manufacturing adventure, if there came a year like 1847, which hit the mercantile interest very hard, though the 100,000,000*l.* was not destroyed but merely transferred from one hand to another, then if the mercantile public did not take money up for some time after the pressure in commercial discounts, would not it tend to produce a glut in the money market and a cheapness of money, and thus offer hereafter a fresh temptation to renewed commercial investment of capital that was not used?—I hardly understand the question; but if 100,000,000*l.* were employed in commerce in 1845 and 1846, it is probable that 25,000,000*l.* would be in four, six, ten and twelve months' bills, at which dates they are now considered as waste paper; from 25,000,000*l.* to 30,000,000*l.*, I should suppose, are entirely lost; perhaps 5,000,000*l.* to 10,000,000*l.* are in British manufactures held in foreign countries, and a great many millions in fixed property abroad, at present unproductive.

5091. Mr. Glyn.] You said that the price of cotton had been kept up last year, you thought, by advances made upon bills of exchange?—By accommodation bills.

5092. Who were those bills generally accepted by?—Produce brokers; a person buys cotton, and places it in the hands of a broker, and draws upon that broker, and gets the bills discounted.

5093. Those bills are accepted by the brokers?—Yes.

5094. And they are taken to the banks at Liverpool, and discounted?—Yes, and in other parts besides; I do not mean to say it is confined to Liverpool altogether; I believe if it had not been for the accommodation thus granted, and principally by the Liverpool banks, cotton would never have been an high last year as it was by 1½*d.* or 2*d.* a pound.

5095. You think the price was artificially kept up?—Yes, to the great injury of the labour of Lancashire.

5096. Are those bills renewed from time to time?—Yes.

5097. Mr. Alderman Thompson.] What is the rate of discount charged by the bank of Manchester now for first rate bills?—About 4 per cent.; I dare say you could get them done, if they were good bills, nearly as low as you could in London; it is a matter of bargain; probably 3, 3½, or 4 per cent.

5098. At this time they are discounting at 3, 3½, and 4 per cent., are they?—Yes, two months' bills; three months' bills you cannot get discounted under 4 per cent.

5099. Is that exclusive of commission?—You could get them done over the counter for that.

5100. What interest is allowed upon deposits?—I am not aware what they are allowing now; they are allowing more than they used to do; they allowed at one time so very small a rate, and it could be invested in railway securities at a so much higher rate, that nearly all their deposits have been removed.

5101. Money is easy to be procured in Manchester now, is it?—On first class paper it is very easy, but the bankers profess not to discount any paper longer than three months' credit.

5102. Mr. Beckett.] You said that you had an idea of putting joint-stock banks under inspection; what sort of inspection do you contemplate?—I think it ought to be a Government appointment.

5103. You mean a Government inspection, not a Bank of England inspection?—A Government inspection, for the purpose of preventing those excessive advances; if the Royal Bank of Liverpool had been aware that they were under inspection, they would never have dared to lend any one house 550,000*l.*, or even 50,000*l.*

5104. Mr. Spenser.] That power of inspection must be accompanied with a power of making regulations, must not it?—No, I think that would not be necessary; I have not defined any measure in my own mind, but there has been so much ruin and loss occasioned by the reckless way in which joint-stock banks have been managed, that something of that kind is necessary; this frequently has

has occurred; a joint-stock bank is formed; a principal clerk from one of the other banks is taken as a manager; he applies to his former employer's clients, and, to induce business and a change of account, offers greater facilities than their present bankers had granted; and in many instances I have known much evil result.

I have brought here a tea-broker's circular for the purpose of showing the ruinous price which prevails; as a commercial man I think it very hard, when the Government refused to add to the property tax an additional 2 per cent., that my property is to be taken from me at the rate of 75; every person connected with the tea and sugar trade is regularly swept out, everything they have is taken from them; in addition to that we shall lose a very valuable branch of trade—the China trade, and when we have lost that, the duty will be removed when it is too late; I am persuaded that though we are now in a state of extreme distress we have the elements of the greatest prosperity within ourselves; we have very cheap cotton; we have very cheap sheep's wool; we have very cheap flax and silk, and all the raw materials are at a very low price; and I think we want a very little intercourse to put us in a complete state of prosperity; I think that the duty on tea and sugar and coffee might be reduced with great advantage to the community and without loss to the revenue, and in the wretched and destitute state in which we are, I think it is perfectly necessary.

R. Gardner, Esq.

5 May 1848.

Martin, 9^e de Mai, 1848.

MEMBERS PRESENT:

Mr. Chancellor of the Exchequer.
Mr. Hudson.
Mr. Thorsley.
Mr. Dimsell.
Sir James Graham.
Mr. Herries.
Mr. Alderman Thompson.
Mr. Wilson.

Sir F. Baring.
Mr. Cayley.
Mr. Spooner.
Sir William Clay.
Mr. Cardwell.
Mr. Glyn.
Mr. Labouchere.

THE RIGHT HON SIR F. T. BARING, BART., IN THE CHAIR.

Samuel Jones Loyd, Esq. Examined.

5105. *Chairman.* YOU are a banker?—I am.

5106. How long have you been in that business?—From 25 to 30 years.

5107. You have a house at Manchester, as well as in London, have you not?

—I have.

5108. Will you have the goodness to state to the Committee, what, in your opinion, was the condition of trade throughout the year 1846?—The general impression with regard to the state of trade in 1846, was that it was in a sound and satisfactory state; at the same time, among reflecting persons, there was an impression that the railroad speculation had been carried to a very undue extent, and that some serious consequences must therefore ensue; and there was also a feeling that the long continued influx of the precious metals must sooner or later, and probably at no distant period, be followed by a corresponding action in the opposite direction; under this impression, the deficiency of the harvest, when it was ascertained, became a subject of serious consideration.

5109. You say that there was that impression, but was that your opinion?—Yes; I concurred in those opinions.

5110. Did you entertain much apprehension from the great speculation in railways?—I certainly thought that the demands which the railways were making upon the capital of the country were carried to an undue extent; at the same time I felt that the capital of the country was very large, and that I could not say beforehand what demand of that peculiar kind it could properly sustain.

5111. So far as your opinion then went, did you apprehend any danger from the railway speculation, supposing it had not been followed by the failure of the potato crop and other circumstances?—I thought the demand for railways would certainly sustain a check of some importance, but that the extent of that check, and the inconvenience connected with it, would depend upon other accidental circumstances that might or might not attend it.

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5112. I observe

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5112. I observe that you have not stated that there was any great speculation in other branches of trade; do you believe that there was any great excitement in other branches of commerce?—I do not think that speculation was carried to any undue extent at that time.

5113. I need not ask you for a description of the difficulties of 1847, but perhaps you will state to the Committee what are your views of the causes which produced those difficulties?—I apprehend there can be but one opinion upon that subject, viz., that the pressure which occurred in 1847 is attributable to the heavy demand upon the capital of the country, arising from the deficiency of the harvest and the large amount of provisions suddenly imported in consequence, and that the pressure was further aggravated by the failure in the supply of raw materials, both of cotton and of wool, from which our means of making foreign payments were to arise; and by the large abstraction of capital from mercantile and trading pursuits, for the construction of railways.

5114. You attribute the difficulties then, principally to the failure of the potato crop?—The failure of the potato crop, with the other accompanying circumstances; I mean the failure of the potato crop, and of the harvests of Europe generally.

5115. Have you made any sort of estimate of the amount of drain there was upon the country in consequence of the failure of food?—I have always understood that there was at least 30,000,000 l. sterling of provisions imported into this country during the year 1847, and, in addition to the large increase in the import of provisions, there was a very remarkable increase in the import of other commodities, especially excisable commodities, which was supposed to be caused by the large wages given to persons employed upon the railways.

5116. Are you of opinion that the difficulties of the year 1847 arose from the act of 1844?—No; I think that the pressure of 1847 would inevitably have occurred from the circumstances already alluded to, whether the Act of 1844 had been in existence or not, and that the Act of 1844 had nothing to do in the way of creating that pressure, or in aggravating or increasing the pressure, but rather the reverse.

5117. You say that in your opinion the difficulties were not created by the Act of 1844, but rather the reverse; will you have the goodness to state what you mean by rather the reverse; in what way do you suppose that the operation of the Act of 1844 was rather to mitigate the difficulties than to increase them?—I think that if the Act of 1844 had not been in operation, in addition to the difficulties which then existed, we should have had the further difficulty of a serious alarm with regard to the safety of the monetary system; on former occasions we had always found that the measures necessary to meet the difficulty had been postponed until the bullion had been brought to so low an amount that a very great apprehension with regard to maintaining the convertibility of the note pervaded the public mind. I think the Act of 1844 prevented the occurrence of that feeling in the year 1847, and therefore prevented the alarm which would have arisen in connection with that feeling.

5118. You consider that the Act of 1844 secured the convertibility of the note?—Yes, most effectually.

5119. And prevented any panic with respect to the stoppage of the Bank?—Yes.

5120. A possible danger has been stated to the Committee to which I wish to call your attention. It has been stated to the Committee, that in case the Bank had stopped in the banking department, supposing the reserve had been worked out, such alarm would have been created that there would have been an immediate run for gold from all quarters; and that it was not unlikely that great danger would have arisen of the Bank not being able to convert its notes into gold; will you have the goodness to state to the Committee whether you think such an event was possible or probable?—Of course a supposition of that sort may be made, and it is impossible for any person to say whether it would have occurred or would not have occurred. The only remark that can be made is, that that is a danger which might occur under any system for the management of the circulation that has ever been suggested, or that can possibly be suggested. The management of the circulation under the Act of 1844 seems to me to provide the best palliative against that supposed danger, and to render the occurrence of it less probable than under any other management, and also, in case it occurs, to leave the country in a better state to meet it. The supposition of an alarm with regard

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to the convertibility of the note, of course must arise from the apprehension that the bullion is drained too low, and that the public think it is an insufficient amount. Now it is the very purpose of the Act, and it is proved by the result to be the effect of the Act, to guard against that possibility; the bullion cannot, under the Act, be drained so low as to afford any plausible ground for apprehension of the convertibility of the note, and therefore I think that under the Act of 1844 the supposition put is least likely to occur; and also, if it did occur, the very fact that the Act has preserved a large amount of bullion, places the country in a more advantageous position to meet such a run for gold, and to prevent any fatal consequence arising from it.

5121. You were speaking of the operation of the Act of 1844; let us take the operation of the Act in prosperous times; what do you consider its effect was at those times?—I do not think the essential properties of the Act are called into action until there is a pressure from a drain of gold; the object of the Act is to protect the convertibility of the note under all circumstances, and therefore of course its efficiency is not tried till the store of bullion which is to protect the convertibility of the note is exposed to some degree of pressure. There were incidental arrangements in the Act, which were of great value; such, for instance, as placing a fixed limit on the amount of country issues; I also regard the separation of the departments as most important, and the publication of the accounts of the Bank, which rendered the real operation of the Act more intelligible to the public, and I think prepared them to meet the difficulties of the year 1847.

5122. As regards the issues of private banks, do you consider that the operation of the Act in a time of prosperity was of any considerable service?—I think the provision of the Act which placed a fixed limit upon the issues of private banks was of very considerable value, especially during the period when the railway speculation had the firmest hold upon the public mind; the provisions of the Act which prevented country banks from increasing their issues beyond a fixed limit at that time, materially prevented a farther extension of that speculative spirit which, if it had been fomented by the increased issues of country banks, might have gone on to a most serious extent.

5123. You, in the course of your business, must have been cognizant of former periods of prosperity; do you, on comparing the conduct of those country banks during the years 1845, 1846 and 1847, with their conduct in former years, think that they have acted more prudently in the last three years than they did upon former occasions with regard to their issues and their conduct generally?—I think, if you contrast the proceedings of the country banks of England generally, during the years 1844 and 1845, with their proceedings during the years which preceded the year 1825, the contrast is decidedly in their favour in the latter period.

5124. Would you attribute that to the operation of the Act?—So far as regards the management of their issues, I attribute it to the Act.

5125. Do you consider that the Act had a considerable effect in making them more careful in their conduct than they had previously been?—I think it very fair to assume that, in addition to the effect which it had with regard to their issues, it had an indirect effect in producing a limitation in their proceedings with regard to their general banking operations; it is, no doubt, difficult to prove that, but such is my impression.

5126. When the Act was brought in, I think there was an impression, upon the minds of some parties at least, that the operation of the Act would tend to mitigate those convulsions when they came on, even supposing it was impossible that that Act, or any Act, could prevent them; there was an impression that they would be of a less sudden character than they were before; was that your expectation?—My expectation was, that the Act would mitigate that portion of commercial pressure which was justly attributable to the mismanagement of the circulation; and the only point upon which any difficulty could exist was in determining what portion of the pressure of the different crises had really arisen from the mismanagement of the circulation, and what portion had arisen entirely from the ordinary excess of mercantile enterprise. I think the Act has completely realized all that was reasonably expected of it, and has verified every principle upon which it was established; I think that the pressure of 1847 would have been considerably more severe, postponed probably to rather a later period, but when it came much more severe, if there had been in the early part of 1847 a power of mis-

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managing the circulation of the country; the Act of 1844, by preventing that power, brought on the pressure earlier, and by that means rendered the pressure much less severe than it would have been at a later period and with the bullion reduced to a much lower amount.

5127. Will you allow me to call your attention to that part of the question which relates to the suddenness of the difficulties; I think there was an impression at the time of the passing of the Act, that the withdrawing of the circulation being gradual, the pressure would be extended over a longer time, and that it would not be so sudden, and the pinch would not be so great when it came; do you think the Act has been effective in that respect, or that the circumstances under the Act, have been such as you expected in regard to that?—The course of events under the Act has not been at all different from what I should have expected; it was anticipated that the Act would produce this effect, viz., that it would cause a gradual contraction of the circulation, and that, under ordinary circumstances, a certain portion of that contraction of the circulation would fall upon the notes in the hands of the public; at the same time it was perfectly true that the contraction of the circulation might assume one of two forms, either a contraction in the numerical amount of the notes in the hands of the public, or, in lieu of that, a contraction in the efficiency of the existing amount of notes; in which form, the contraction on any given occasion will take place may depend in some degree on accidental circumstances; it seems to me that two accidents occurred in the year 1847; the mismanagement of the banking business of the Bank in the spring of 1847, and the extraordinary extent of commercial failures in the autumn of 1847; had those two accidents not occurred, I apprehend that the course of things in 1847 would have been precisely identical with that which is intimated in the question, viz., that we should have had a considerable export of bullion, and a considerable contraction in the numerical amount of the notes in the hands of the public, followed by a high rate of interest, and that probably continuing for several months. That high rate of interest so continuing, would have corrected the exchanges and have gradually brought back the gold; that would probably have been the course of things under the pressure of 1847, barring the two accidents already alluded to. But the peculiar proceedings of the Bank with regard to its banking business in April, brought about a state of things abruptly in April, which caused a certain degree of alarm, and therefore substituted a diminished efficiency of the notes in the hands of the public in the place of a contraction of the numerical amount. After a short time, that alarm being got over, things continued very much throughout the summer in the state I have described, till we arrived at the autumn, and then there occurred extensive commercial and banking failures in London, and throughout the country, which produced a species of panic-feeling on the part of the public, followed by a diminished efficiency of the circulation instead of a contraction of the numerical amount of notes. Those two accidents gave to the contracting operation of the Act a character of more suddenness than it would otherwise have had. I think it is not improbable that on the occurrence of another period of pressure from other causes, the course of proceedings may be different, and that you may have a gradual contraction of the numerical amount of the notes with the public; but it seems to me of secondary importance in which form the provisions of the Act come into operation; for in either form they are now proved by experience to be perfectly efficient for their intended purpose, viz., the effective protection of the convertibility of the bank note.

5128. You stated as one of the accidents, as you call them, the failure of commercial houses; do you mention that as an extraordinary accident, or is it not one of those circumstances that will naturally happen in time of difficulty?—That depends entirely upon whether that time of difficulty comes upon a state of trade which, when pressed upon and tested, proves to be unsound; it did not occur in that form in the year 1837 or 1839. In the year 1837, there were the failures of American houses, but those failures were confined entirely to the American trade, and though there was a serious pressure upon the rest of the mercantile world, they stood their ground, and the consequence was, that that pressure did not assume that character of alarm which it assumed in the year 1847. In the year 1839, there was a severe pressure, but it was unaccompanied with extensive mercantile failures.

5129. You speak of the mismanagement of the Bank as one accident; when you

you speak of the mismanagement of the Bank, what are the points to which you allude?—I allude to the fact that, from the beginning of the year 1847 up to April, the Bank permitted its banking reserve to undergo a continuous and serious reduction of amount, until it was brought down to a point which was unsafe, and therefore alarming.

5130. Up to what time do you consider that the conduct of the Bank was objectionable?—My objection applies to the first three months of the year 1847; during those three months, the Bank allowed its banking reserve to run down too low, and did not take the measures it ought to have taken to protect that reserve, the principal of those measures being, raising the rate of interest more powerfully and more rapidly than it did.

5131. From that time, after the difficulty of April was over, do you object to the course that the Bank took?—No; I think there is no serious objection to be urged to the conduct of the Bank after April.

5132. Your objections are confined to the conduct of the Bank during the three first months of the year 1847?—They are.

5133. What is the precise objection that you have to the course they took during those three months?—It was a course contrary to all sound principles of banking; the Bank of England, during that period, kept increasing its securities, paying for those securities out of its banking reserve, the payment so made out of its banking reserve being immediately taken to the issue department, and gold taken for it; so that, taking the two departments together, the result was that the Bank from the beginning of January to the middle of April continually increased its securities, paying for those securities in gold, which gold was going out of the country; and it did that without raising its rate of interest in a manner sufficient to protect its banking reserve. Consequently, the market rate of interest during the whole of that time was above the Bank rate of interest, and so decidedly above it, that at last it became the common subject of remark by the whole commercial community of London, wondering why the Bank was not taking more effectual measures for protecting its banking reserve.

5134. You consider that from that step the difficulty of April mainly arose?—The abrupt character of it, I think, was produced entirely by that course.

5135. If the Act of 1844 was supposed to prevent the abrupt character of those difficulties, what advantage is there, if after all there remains in the hands of the Bank the same power of producing the suddenness of the difficulty as existed before?—In reference to that question, we must distinguish between the management of the circulation and the management of the banking business of the Bank. Before the Act of 1844 was passed, the Bank was vested with the power both of mismanaging the circulation and of mismanaging its banking business; the Act of 1844 placed it out of the power of the Bank to mismanage the circulation, and in so far it was perfectly effectual in its purpose, but it left the Bank, as a banking concern, with full discretion to manage its banking affairs according to its own judgment; that is, it left the Bank with the power of mismanaging its banking affairs, and of inflicting a serious injury upon the public.

5136. Then, in point of fact, the mismanagement of the banking department by the Bank of England, is productive, as far as the suddenness of the difficulty is concerned, of the same inconvenience to the public as was caused previously by their general mismanagement?—The mismanagement of the banking business of the Bank of England may certainly produce inconvenience in an abrupt form to the public, but still the effect of the Act is to protect the circulation; if the Act of 1844 had not been in operation in the spring of 1847, I apprehend that the course pursued by the Bank up to April, would have been further pursued by the Bank until the bullion then standing at about 8,000,000 £ had been reduced to 2,000,000 £ or 3,000,000 £, and then you would have had a convulsion still more abrupt, still more severe, and rendered more oppressive in consequence of a further feeling being thrown into it of serious alarm as to the safety of the monetary system; from all those evils the Act has protected the public.

5137. The Bank in the one case has made convulsive efforts to maintain its reserve, and in the other case it would have made a violent effort to preserve its bullion; but the suddenness of the operation, so far as regards the inconvenience to the public, is very much the same in the two cases?—The efforts made by the Bank may still partake, more or less, of the character of suddenness, dependent upon the good or bad management of the banking department; but

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as those efforts must, under the Act, be made at an earlier period than under the former system, I think they must necessarily be less violent and productive of less pressure. The Act of 1844, as regards the circulation, has fully accomplished its object. If we are discussing the question, whether it is expedient and safe for the public interests that so large a body as the Bank of England should be left with power to mismanage its banking operations, that is a question which I apprehend should be kept separate and distinct from the mismanagement of the circulation.

5138. I will trouble you with a question upon that by-and-by, but at present I will beg you to confine yourself to the power that the Bank had before the Act of 1844 was passed; are you not of opinion that the Bank had always power sufficient in itself to preserve the convertibility of the note?—That is perhaps rather a difficult question to answer; when things are driven to the last extremity, the Bank has great power of acting; what would be the result of the full exercise of the large powers which it possesses, it would be very difficult for any person to say; credit would be convulsed, and in the general confusion, whilst the subordinate members of the community were sacrificed, the Bank might be saved; that is a probable result.

5139. As far as regards the foreign exchanges they might have been brought right, if there had been no Act of Parliament, by an effort of the Bank itself?—Whenever the Bank makes a signal effort to realize its securities, the effect will be to rectify the foreign exchanges.

5140. And then a danger arises of panic?—Yes.

5141. And under the old system the difficulty was to manage transactions in such a way as to set right the exchanges without producing an internal drain?—The objection to the old system was, that it did not create a necessity for any effort being made to adjust the exchanges, till the Bank had suffered the bullion to be reduced to an amount which did not afford sufficient means for meeting with confidence an internal drain, should it spring up.

5142. Under the old system the Bank neglected to take measures of precaution until its reserve of gold was low, and it was obliged therefore to take strong measures, and to produce very sudden and abrupt difficulties to the commercial world; under the present system, the difficulty of the Bank is, not with regard to its gold, but with regard to its reserve, and the Bank, according to your evidence, has followed exactly the same course with regard to its reserve that it formerly followed with regard to its gold; it has neglected to take sufficiently early steps, and consequently has been obliged to take violent steps with regard to its reserve; and has it not, as regards the public, produced the same evil of abruptness, and of bringing on the difficulties with a suddenness which was unexpected when the Act of 1844 was passed?—Under the former system the Bank was under no necessity of taking any precautionary measures until the bullion was reduced to a very low amount; under the Act of 1844 the Bank is obliged to take precautionary measures when the banking reserve is reduced to a low amount; now the banking reserve is reduced to a low amount at a much earlier period than the bullion is reduced to a low amount, and therefore the Act of 1844 places the Bank under the necessity of acting protectively at a much earlier period than it was compelled to act under the previous system; in so far, the Act of 1844 has compelled an earlier action; and in addition to its compelling an earlier action, as that earlier action must necessarily take place with a higher amount of gold, it protects you from all those further inconveniences which attended the feeling of apprehension with regard to a deficiency in the actual store of gold. That seems to me to be the difference between the Act of 1844 and of the previous system.

5143. There is not much difference in the suddenness of the action?—The suddenness of the action will still depend in a considerable degree upon the discretion of the Bank of England; the Bank may allow its banking reserve to be exhausted before it takes any precautionary measures, and then it must take sudden measures to protect itself; but even in that respect the Act is a great improvement upon the previous system, and I think a proof of that is found in what occurred in the three first months of the last year. Under the present system the state of the Bank's reserve is distinctly brought out, and is every week laid before the public; the public, therefore, know now, which they did not formerly, what the Bank's reserve is; they see that reserve diminishing, and the public, therefore, necessarily become apprehensive, and begin to take precautionary

tionary measures, even though the Bank neglect to do so. That actually occurred during the first three months of 1847; the public were taking precautionary measures, and the public feeling was assuming a proper character of apprehension even during the period that the Bank was neglecting its duty with regard to maintaining its reserve.

5144. As to the publicity with which the accounts of the Bank are now presented, do you believe that that has produced a beneficial effect upon the public?—I think the publication of the Bank accounts has been eminently useful.

5145. As a banker, in the transaction of your business, do you believe that that publication has been beneficial to the community?—I have not the slightest doubt of it; and I cannot give a better proof of my opinion upon that point than by producing this book which is made up from the Bank accounts, and I have this every day in my office to refer to for my guidance. I have given copies of this form of account to many bankers in the country, and they have been extremely obliged to me for putting them in the way of keeping it for their guidance.

5146. They have used it in their business?—Yes.

5147. And you consider it a very valuable account?—Yes; I consider it a test of the intelligence of country bankers, whether they appreciate such accounts or not.

5148. And, generally speaking, they do appreciate them?—I find many of them do.

5149. Did you approve of the issue of the Government letter in October last, suspending the operation of the Act?—I feel that a person circumstanced as I am, living in the midst of the whole commercial community who were under the pressure, is the last person whose opinion can be safely trusted; subject to that remark, however, I am bound to say that I thought it was right, under all the circumstances then existing, to issue the letter.

5150. Why do you think it was proper to issue the letter?—It seemed to me that two considerations were essential, looking to the question of the issuing of the letter; in the first place, that it was absolutely necessary to be thoroughly satisfied that the state of things to which it was applied had assumed the decided character of real panic, and in the second place, that it was absolutely necessary to be well assured that the exchanges had turned in favour of this country; I felt satisfied upon both those points, and I felt considerable apprehension that the panic-feeling had reached that point at which it might produce, in the course of a few days, extensive confusion in the country; at the same time, I quite admit that it is possible that if you had persisted in maintaining the law, two or three days might have shown that it was not necessary to issue that letter; it is, I think, a matter upon which no person can give a confident opinion.

5151. You state that it was a time of extreme panic; do you consider that, in a case of extreme panic, the proper remedy is the suspension of the Act?—I do not think it is possible to give a general answer to the question as to what is the proper course to pursue under a state of extreme panic; it must depend entirely upon the peculiar circumstances of each case; under all ordinary circumstances of panic, I should say the safe rule was steadily to adhere to sound principle, but you may arrive at that stage of panic-feeling, in which the dangers of immediate inconvenience are more serious than the evil attending the suspension of the principle; with regard to the proper remedy for panic, I apprehend it is impossible to give a general answer; for that which proves to be a remedy at one moment for panic, if applied the second time, may prove utterly ineffectual.

5152. In the case of extreme panic, do you consider that the Act can be left to its operation simply, without some measure interfering with the operation of the Act being adopted?—I think it is hardly right to call it an interference with the Act; so far as maintaining the convertibility of the note is concerned, the Act will, under any circumstances, remain perfectly efficacious; the only question is, whether periods may not arise of so peculiar a character that some extraordinary interposition on the part of Government may be desirable for the purpose of alleviating the pressure of an immediate and extreme difficulty. That intervention may assume the character of issuing notes which are not connected with the management of the circulation, strictly speaking, or it may assume some other form. On some occasions mercantile pressure has been alleviated by the issue of Exchequer bills; the issue of Exchequer bills on this occasion would have been useless, but it is impossible to say what would be the

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proper mode of meeting a commercial pressure till you have the special circumstances of that pressure before you.

5153. Was not the effect of the issue of the letter such as was wished for?—The effect of the issue of the letter was precisely what was contemplated and wished for.

5154. And the effect was immediate?—Yes, it was immediate.

5155. But you think, in a similar difficulty, the same remedy would not necessarily be successful?—I think it is very possible it might not be equally successful; I believe the novelty of the measure, the suddenness of it, and the bold character of it, were all essential ingredients in its success; but if it were to be repeated a second time all those ingredients would have lost a considerable portion of their power.

5156. Sir William Clay.] And if the exchanges had not turned in favour of this country, you would not resort to it?—I have already stated that the fact of the exchanges being in favour of this country was an essential preliminary to the adoption of the measure.

5157. Chairman.] In a case of extreme panic do you consider that it should be left simply to the operation of the Act, or do you not consider that there must be some extraordinary interposition on the part of the Government?—I must again rather object to the expression "leaving it to the simple operation of the Act;" as far as the maintenance of the convertibility of the note is concerned, the Act is perfectly efficacious, and perfectly safe, and requires no alteration under any circumstances; it is entirely a question of the condition of the mercantile community; circumstances may occur in mercantile affairs, and in the confidence on which mercantile affairs are based, of such a peculiar character, that some interposition may be desirable for the purpose of alleviating the intensity of pressure arising from destruction of confidence. That alleviation may in some cases be best found in an extra issue of notes, and in other cases it may be best found in Government interposing in some other way to restore confidence, such as an issue of Exchequer bills, which has been tried with success, or it may interpose in some other mode; it is, in fact, interposing the credit of the Government in lieu of individual credit, which is supposed at the time to be temporarily annihilated.

5158. Do you think that in October the Act had any injurious effect upon the country?—I do not see in what way the Act had any injurious effect upon the country; I think the Act served the country most essentially by protecting, through the whole of the year 1847, the specie payments of this country in a manner in which they had never before been protected since they were determined upon in the year 1819.

5159. Do you believe that the letter issued in October produced its effect by acting upon the imaginations of men, or do you believe that it produced an effect upon the circulation?—I consider it quite clear that the effect produced was by acting upon the imagination of the community, for there was no actual increase of notes in the hands of the community; the notes previously existing in the hands of the public were perfectly sufficient for all purposes required, provided the public would use them with the same degree of confidence and facility, with which they had been in the habit of using them; from peculiar circumstances that confidence and that facility had been most materially disturbed, and all that was necessary was to restore the ordinary confidence and facility of using the existing notes in the hands of the public; the issuing of the letter completely accomplished that purpose.

5160. Do you approve of the limit of the rate of interest contained in the letter?—The result showed that it was clearly sufficient.

5161. And you consider such a limit to have been necessary?—Certainly; it was quite essential.

5162. You think the result shows that the rate fixed was properly fixed?—Yes.

5163. You have used the term "circulation," in your evidence; what do you consider the circulation now to be; do you consider the notes in the hands of the public to be circulation, or do you consider the notes as shown by the issue department of the Bank to be circulation?—The notes as shown by the issue department.

5164. Is that in conformity with your former opinion?—Yes.

5165. You could not, in old times, consider the notes out of the issue department circulation, because they were not shown?—We could not tell what

what the amount was; because, previous to the Act of 1844, the Bank could issue notes to an unlimited extent so long as it had any bullion in its possession; but as a question of principle, I always considered that the notes in the till of the Bank of England and the notes in the hands of the public together constituted the circulation.

5166. In your former evidence before the Committee in 1841, you spoke of the circulation as including the notes in the till of the Bank?—Yes; I alluded to that in several parts of my examination in the year 1841.

5167. With respect to private banks, you regard the notes that they have in their tills as circulation also?—Yes.

5168. What do you consider with regard to their own notes, which they have the power of issuing?—I think with regard to private banks, looking at it as a question of principle, the notes which they are empowered to issue constitute circulation.

5169. Though not actually issued?—Yes.

5170. You consider them part of the notes in their till?—I consider that that which is at the control and command of the public is circulation, wherever it may be lying.

5171. As connected with Manchester, can you give the Committee any facts illustrating the way in which the speculations in railroads have affected your reserve?—It is rather difficult to state distinctly the effect that the demand for railroads has had upon deposits, beyond stating generally that the depositors in country banks are at all times, to a greater or less degree, looking out for beneficial investments of their money, and such investments the railways presented, both in the way of railway shares and railway bonds.

5172. As a banker in Manchester, did you feel, in the last year, that there was a drain upon the deposits, which you attributed to railroad speculation?—We were continually making payments on account of investments made either in railway bonds, or in the purchase of railway shares.

5173. Can you give the Committee any notion of the proportion of diminution which was occasioned by that cause?—I cannot separate the diminution caused by railway calls from the diminution caused by other calls, but I can state that as regards my own concern in Manchester, the diminution of deposits in the year 1847, as compared with the year 1846, was rather more than 20 per cent.

5174. When did that diminution begin?—It ran through the whole year; I could not easily ascertain at what period of the year it was most effective.

5175. Have you any objection to state the relative proportion of the effect upon your deposits when the railroad speculation became rife in 1846 and 1847, as compared with the state of your deposits in the two years before, 1844 and 1845?—I cannot state it precisely now, but I could ascertain it; there will be a good deal of difficulty in ascertaining it exactly, because, in the first place, money in our hands at Manchester consists of different classes; an important portion of it partakes of a mercantile character, and also, during an easy state of things, deposits may be going out for railway demands, but may be coming in from other sources; there may be a heavy drain for railroad demands, not showing an actual diminution in the deposits, but consuming what would otherwise be increased deposits from other sources; therefore there will be much difficulty in coming to an accurate conclusion.

5176. Sir William Clay.] Would you have any objection to state whether there was a diminution during the year 1847 upon the London deposits?—I think to a very small extent; I do not think that I can state the proportion accurately, as regards our London deposits, but I will give the best information I can.*

5177. Mr.

		Lodgements.	General Lodgements.	Total.	
* 1841	- - - -	150	152	302	Average balance of London deposits in 1846 and 1847, was in proportion of 91 to 100.
1842	- - - -	151	149	300	
1843	- - - -	152	170	322	
1844	- - - -	158	195	353	
1845	- - - -	156	170	326	
1846	- - - -	160	149	309	
1847	- - - -	120	105	225	

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5177. *Mr. Thornely.*] In Manchester, is any distinction made between the deposits in cash and in bills; are not the bills at once carried to the credit of the customers?—Yes.

5178. Have you any accounts which show the deposits in cash as distinguished from the deposits in bills?—No; our accounts would not show it with perfect accuracy, but the fluctuations in the amount of general deposits in our hands will show with sufficient accuracy the comparative effect of the operations of 1847.

5179. *Chairman.*] We will go back to the question with regard to the management of the Bank; I collect your opinion to be that the suddenness of the difficulty arose from the Bank directors neglecting to take proper steps with regard to its reserve; is there any measure which you can suggest by Act of Parliament which can cure that evil?—No, I am not prepared to suggest any.

5180. Do you consider that the constitution of the Bank can be so changed as to prevent the liability to such an error recurring?—No; I have often thought of the constitution of the Bank, and of course I cannot undertake to say that it is perfect at present; at the same time I am unable to suggest any important improvement.

5181. Do you think that having a permanent chairman is such an improvement as would guarantee the public a better management of the Bank?—Many difficulties would attend the appointment of a permanent chairman; I am not prepared to say that that would be a desirable measure.

5182. Do you think that placing in the direction parties appointed by the Government, in more immediate communication with the Government, and of a permanent character, would be an improvement in the constitution of the Bank of such importance as to make it worth while to make the change?—I do not feel at all confident that that would be a satisfactory arrangement.

5183. Then there is no alteration in the actual constitution of the Bank that you would feel prepared to recommend?—No, I am not prepared to recommend any alteration in the constitution of the Bank.

5184. Are you satisfied, then, with still leaving it in the power of the Bank to produce, by its mismanagement, the difficulties which you seem to think followed from their conduct at the commencement of the last year?—I think we may reasonably expect that those effects will be diminished, as the result of experience, founded upon the events which have occurred during the year 1847; that was the first period of difficulty and trial under the operation of the new system, and therefore, of course, we might reasonably expect many mistakes, which I think will be rectified hereafter; I have very little doubt that the importance of looking to the state of the Bank reserve is much better understood now, both by the Bank and by the public, than it was at the commencement of the year 1847; and I think we may hereafter reasonably hope for more wise measures of precaution with regard to the protection of the reserve.

5185. Looking back to the evidence given before the Committee in 1841, do you think that there was sufficient attention then paid to the Bank reserve, and the effect it would have upon the public?—No; I do not think the Bank reserve was sufficiently attended to; at the same time I hardly know how it could be sufficiently attended to, because it existed at the time only in theoretical principle; there was no such thing in reality; the Bank, previous to 1844, had at all times an unlimited command of notes, subject to the vague obligation of paying those notes in specie; there was no restriction placed upon the amount of notes which the Bank might use till she stopped payment; so long as the Bank had any gold remaining in her coffers she had power to issue any amount of notes she thought fit, and, therefore, the reserve of Bank notes in the Bank's till was, in fact, an unlimited quantity.

5186. Are you aware that for some little time before the Act of 1844, the accounts were kept in the form in which they were afterwards kept under the Act?—Yes; I am aware that when the discussions arose upon that subject, more than one system, was attempted by the directors of the Bank for the purpose of keeping the accounts upon the plan contemplated, and ascertaining what reserve it would bring out.

5187. Still no crisis or commercial difficulties arose during that period, and there was therefore no sufficient experience of the working of the reserve?—No; a fall

a full knowledge of the character and effects of the banking reserve could not be obtained until the provisions of the Act of 1844 were brought into practical operation.

5188. Is there any alteration in the conduct of the business of the Bank that you consider would be advisable?—I feel great difficulty in suggesting anything of that sort; during the last 12 or 15 years there has been a growing tendency in the Bank to assume a character of greater activity and competition, which, for a body of that magnitude and under that peculiar management, I doubt the expediency of.

5189. During the latter period, the Bank has entered into the discount market more than it was in the habit of doing formerly?—During latter years the Bank has been more active in the employment of its funds in discounts, and in competing with others in the discount market.

5190. Do you think that that has had a beneficial effect upon the public?—My impression is the reverse; I doubt whether the Bank, considering the magnitude of its resources as compared with all other concerns, is not in a situation in which it would be expedient for the public interests that its operations should be more subject to fixed rules, and I have also a considerable doubt whether the active competition of the Bank in the discount market does not tend to foment that unfortunate feeling on the part of the public, that they are entitled when there is pressure on the commercial world, to look to the Bank of England for all the support which they may require, an expectation, of course, which it is impossible for the Bank to satisfy.

5191. What course, practically, do you think the Bank ought to pursue?—It is very difficult to state, in detail what course the Bank ought to pursue; I can only state my impression that the recent tendency of the Bank to become a more active and competing body, and employ its money more in the discount market, I am inclined to think, has been a tendency in the wrong direction. But there are difficulties in the opposite course, and my opinion on that point is not, I believe, in harmony with the opinion of many persons entitled to more attention.

5192. The Act of 1844 was supposed to have released the Bank from any necessity of attending to the public interests, and it was supposed that the Bank was at liberty practically to look to its own profits, and not to the general interest of the public; was that your impression of the operation of the Act?—In a certain sense of the word, I think that is correct; it is desirable so to organize all public institutions, that looking to their own interests wisely and discreetly, and taking a sufficiently comprehensive view of them, will be the best course not only for their own but for the public interests also. At the same time, the Bank, from the great magnitude of its resources and transactions, stands in a peculiar position. The Bank, to whatever extremity it may allow its banking means to be reduced, can, by the very magnitude of its operations, in the last extremity make an effort which is almost sure to protect itself; but that effort will entail upon the community very serious consequences and produce very great mischief; in that respect the Bank seems to me to differ considerably from all private concerns. If I mismanage my private bank I am ruined, but the public sustain little inconvenience; but if the Bank of England commits some great mistake, the Bank can save itself, whilst it spreads extensive injury throughout the community; in that respect, I think it differs in an important sense from a private concern.

5193. Mr. Thornely.] As a banker, did you make any remark during the last year as to the character of the bills of exchange or the drafts which were in circulation; were they of the ordinary character of drafts, or were they for any speculative purposes, for accommodation, and at longer dates than usual?—Upon the bills that came through my hands I do not think I made any particular remark; I often heard, in conversation, that there were bills of very long dates, and more especially connected with the Indian and China trades, but they very seldom came under my personal notice.

5194. Mr. Wilson.] You stated that, prior to the Act of 1844, you considered the word "circulation" to include as well notes in the hands of the public as the reserve of notes in the till of the Bank, only that the reserve was not then specified?—Yes.

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5195. But

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5195. But I think that all the evidence which was given before the Bank Committee of 1840, and all the discussion which preceded that Act, in arguing upon the circulation, were confined to the notes actually in the hands of the public?—You will find many answers in my evidence, in the year 1841, in which I distinctly referred to the notes which are in the Bank till, and in which I stated that it was an unfortunate circumstance attending the then existing system, that we had no means of knowing what the amount of those notes was, and therefore we were obliged to reason upon uncertain data; there was certainly no possibility of dealing with anything but the notes in the hands of the public, but I stated that the notes in the Bank till constitute a part of the circulation, and that when the accounts were separated, they would so appear.

5196. You say that there was no possibility of knowing what the amount of reserve was then, because there was no possibility of knowing the quantity of notes at the disposal of the Bank in their till?—No.

5197. Do you not consider that the actual reserve held by the Bank was really the bullion which it held in its possession ready to meet its liabilities?—The case was altogether anomalous, on account of the defective state of the law; the Bank, under the system which existed before the Act of 1844, had the power of making unlimited issues, and that power only ceased when their gold was exhausted; those were the facts; what language precisely to apply to those facts, I really cannot say, but that was the state of the case.

5198. Prior to the Act of 1844, the liabilities of the Bank consisted of two classes; first, liabilities in the shape of deposits, and, secondly, liabilities in the shape of the circulation of notes in the hands of the public; before the Bank Act of 1844 those two classes of liabilities, which the Bank could be called upon to pay on demand, were really protected only by the amount of gold which it held in its possession as reserve?—They were further protected by the whole amount of the securities which the Bank held; but there is an important distinction between the functions of bank notes, considered only as part of the general liabilities of the Bank, and the same notes, considered as constituting the circulation of the country.

5199. I wish to confine your attention exclusively to the power of the Bank to meet its liabilities; that is dependent upon the amount of gold which the Bank has in its possession to pay the liabilities which it may be called upon to pay on demand; it cannot pay those liabilities by any securities that it holds?—According to the ordinary interpretation of language, the amount of means which the Bank has of meeting its liabilities consists in the amount of property which it has to meet them; for instance, I should, as a banker, feel myself competent to meet any liabilities, though I had not a sixpence of coin, if I had securities which I might at any moment realize in order to meet my liabilities.

5200. But a banker cannot call that reserve, inasmuch as the banker must convert the securities before he can meet his liabilities with them; the amount of reserve is the amount of means that he has in his possession at his own command to meet the demands which the public may make upon him at their pleasure; if he has first of all to convert the securities, it becomes another operation?—It depends entirely upon what it is we are talking of; the money which the banker has in his till is one means of meeting his obligations, and his power of augmenting that command of money by the realization of securities, is another means.

5201. In the case of private banks, I believe the practice is that the private banker holds a certain reserve of money in his till, and he also holds a certain amount of reserve in the Bank of England, irrespective of the amount of securities which he can realize?—There is no doubt that any person who has outstanding liabilities to meet keeps not a certain but an uncertain amount of actual money to meet those liabilities, an uncertain and varying amount, according to the circumstances of the case; and beyond that he keeps an amount of securities more or less realisable; and that I apprehend to be the state of the Bank of England; in order to meet its outstanding liabilities, it keeps a reserve of a certain portion of money actually at its command, and a much larger amount of securities, with the power of converting them into money with more or less facility.

5202. You do not include in the Bank reserve the securities which the Bank holds, which it would be necessary to convert into notes or gold before they could

could be made use of, to meet liabilities?—No; what we call the reserve of the Bank of England is coin or notes, which are kept in the Bank till, as distinguished from the securities which it holds.

5203. Under the old mode, in which the Bank accounts were kept, as there was no distinction between the issue department and the banking department, the reserve resolved itself entirely into the amount of bullion which the Bank held?—Yes, I apprehend it was so, because the notes that the Bank held did not appear in the account; it is entirely a matter of account, the notes which the Bank held in their drawer would appear nowhere in the account; therefore the bullion would appear to be the only money in the Bank; but any practical conclusion deduced from that would, I apprehend, lead to error.

5204. As the amount of notes which the Bank has the power of issuing now depends upon the quantity of bullion that they have in their possession, so, in fact, the quantity of notes is at the present moment another name for the bullion that they hold in their possession?—The facts of the case are these: the Bank now has in its bank till an amount of notes equal to the whole amount of bullion in the issue department, plus 14,000,000*l.*, and beyond that amount the notes of the Bank cannot go; if any diminution of the bullion in the issue department takes place, a corresponding diminution must take place in the amount of notes in the till of the Bank of England; that is the position of things under the present system. Under the former system the state of things was extremely different; a great alteration in the amount of bullion might take place without any contraction whatever of the power of the Bank of England to issue notes; the Bank of England, under the former system, might be considered as having an unlimited quantity of notes in the Bank till so long as there was any bullion whatever in its possession; under that system, so long as the Bank of England had any bullion with which to pay the notes when presented for gold, she had an unlimited power of issuing her notes; now she has not.

5205. The issuing of notes now depends entirely upon the increase or decrease of the quantity of bullion held by the Bank?—The quantity of notes now varies entirely with the state of the bullion.

5206. Seeing that formerly the Bank was obliged to pay its notes in bullion, if the Bank had paid proper attention to the obligation that it had to pay those notes, and not to stop payment, would not the Bank's holding at all times a sufficient reserve of gold practically have had the same operation upon the action of the Bank as the operation of the Act of 1844?—The gist of the question turns entirely upon the supposition involved in it, viz., that the Bank paid proper attention to the obligation which it had to pay its notes; and under that supposition it is perfectly true that the operation would be the same as under the Act of 1844; and that at once brings out the distinction between the Act of 1844 and the previous system. The Act of 1819 ordained specie payments, but it took no measures towards securing or carrying out that ordinance. Then the Act of 1844 rendered compulsory the measures which were necessary for securing the convertibility of the notes; if, therefore, you put a case which involves the supposition that the Bank previously did all that it was right for them to do to carry out the Act of 1819, then upon that supposition the course of things preceding the Act of 1844 will be identical with the course of things under the Act of 1844; but we had repeated experience that that could not be relied upon, and that the Bank repeatedly failed in doing what was wise and necessary, and that caused the passing of the Act of 1844. The Act of 1844 is based upon the assumption that repeated experience had proved that that which it was wise and necessary to do in order to secure specie payments had not been done, and it was passed to secure that henceforth it should be done.

5207. Then the Act was passed with a view to make the Bank of England do, under the Act of Parliament, that which they had not formerly done, in the exercise of a wise discretion?—It was passed for the purpose of securing by law the proper course being taken for protecting the convertibility of the note, which we had found, by previous experience, could not be safely entrusted to any discretionary action.

5208. The Bank of England never failed to pay its notes?—The Bank never actually failed to pay its notes, but it repeatedly failed to resort to timely measures of precaution; the Bank was more than once driven to the last extremity as regards the state of the bullion, and the public was subjected to those extreme

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severities which become necessary to ward off danger in its last stage. The principle upon which the Act was passed was that of protecting the public now *solum a calamitate, sed etiam calamitatis metu*.

5209. Do you think that we were ever subject to a greater degree of pressure for the purpose of warding off evils which might have arisen from the discretion of the Bank than we were last year subject to for the purpose of protecting the integrity of the Act of 1844?—If you mean to ask me whether the country was ever subjected to a pressure greater than it was subjected to in 1847, I have no doubt that it has on many former occasions been subjected to greater pressure.

5210. What periods do you allude to?—In 1783, 1793, 1797 and 1825, and I have considerable doubt whether there were not other intervening periods that might be put into that class.

5211. You have great confidence that the experience of last year will materially aid the Bank directors in future in acting more discreetly and wisely, so as to prevent the necessity of interference with the operation of the Act in future years?—My former answer had reference to the management of the banking department. I think the experience of last year will lead to more caution with respect to the banking reserve.

5212. You would consider that keeping a proper reserve was part of the management of the banking business?—Yes.

5213. I understood you to say, that one of the circumstances which aggravated the panic of 1847, and which rendered the interference of the Government necessary, was the Bank not paying sufficient attention to their reserve?—The interference of the Government took place in October; the neglect of the Bank in protecting the reserve, which I spoke of, had reference to the spring of the year.

5214. But I understood you to connect the effect resulting from that neglect of the reserve in the early part of the year with the crisis in the autumn?—No; the pressure which occurred in the autumn, in addition to the legitimate pressure, which was absolutely inevitable, I attribute to the state of alarm which was caused by the extensive commercial failures which occurred at that time.

5215. Would you not have had some confidence, had the discretion been left in the hands of the Bank, as it was prior to the passing of the Act of 1844, that the experience of the Bank directors in 1837 and in 1839 would have prevented the recurrence of such pressures as existed in those years?—No; I think that the actual occurrences of the spring of 1847 completely negative any supposition of that sort. In the spring of 1847 all the discretion that was left to the Bank was completely abused; we have the clearest evidence that nothing induced the Bank to stop short in April in the career they were pursuing but the absolute provision of the Act of 1844; if that provision had not been in existence, we have every right to presume, from existing facts, that the Bank would have continued through the month of April and onwards in further increasing their securities, the result of which would have been a further decrease of the amount of bullion until it was reduced, as on former occasions, to that low point at which the public takes alarm, and the most abrupt and severe measures of protection become necessary. To the extent to which the Bank directors were empowered to go wrong they went wrong, and if it had not been for the provision of the Act of 1844, it seems to me that it is a matter of inference clearly to be deduced from the facts, that in the course of two or three months we should have come to an actual suspension of specie payments, or at least to the very verge of that catastrophe.

5216. You do not think that the Bank directors, observing the fact of their liabilities increasing, and there being a diminished quantity of bullion, and, therefore, seeing the evident danger into which they were running, would have had any effect in checking their career, had it not been secured by the Act?—It seems to me to be a matter of the clearest inference, that but for the positive provisions of the Act, the course pursued by the Bank from January to April would have been continued until the bullion was all but exhausted.

5217. They had allowed the reserve to sink to a certain point when they took measures to protect it; but it is not a matter of fact that they would have gone further in the same direction if the Act had not existed?—The matter of fact is this, that from the beginning of the year 1847 up to April they went on on this system, viz., of continually increasing the amount of their securities and paying for them by a continual drain on the Bank reserve, which led to a continual

tinual export of the same amount of gold, and they pursued that course till they had reduced the reserve to that point at which it became the subject of general remark and alarm. The Bank then suddenly paused; declared that it could do no more for the public, but must now take care of itself; and it was that understanding pervading the public mind that produced the temporary panic of April.

5218. Did they not take steps for the purpose of checking the reduction of bullion, by raising the rate of interest, twice in January and once in the beginning of April?—They did take a step in the right direction, but the feebleness of that step was quite puerile, as compared with the magnitude of the evil which they had to deal with.

5219. But they did show they were alive to the necessity of curtailing their advances and of checking the facilities which they were giving to the public by the steps they were taking, and is it not fair to suppose that, in proportion as they found those efforts were not effectual for the purpose they had in view, they would have taken stronger steps?—Of course I cannot pretend to say what they would have done; I can only say that during the circumstances spoken of in the first three months of 1847, which required the most determined measures, the steps taken by them in the right direction were so slight and so feeble as to be perfectly ridiculous in reference to the character of the evil which they had to deal with. The course pursued by the Bank from January to April 1847, verifies the principle upon which the Act of 1844 was founded, viz., that the protection of the specie payments of the country is a matter that could not safely be entrusted to anybody, but that it is absolutely necessary to lay down legislative regulations, which will, of themselves, secure that object.

5220. Was not the sudden reduction of the reserve in April in a great measure caused by the temporary advance of a large amount of notes for the purpose of paying the dividends?—I do not think you will find that the reduction was sudden; the reduction was continuous during the whole of the first three months of 1847.

5221. But I think you will find that at the particular period when the crisis arose, the reduction was very large in the course of a fortnight upon the payment of the dividends?—The reduction, for instance, from the 27th of February to the 3d of April, which is before the payment of the dividends, was 1,300,000*l*.

5222. But what was the reduction during the following fortnight, from the 3d of April to the 24th of April?—Then you come to the crisis; on the 3d of April, it was 3,700,000*l*, and on the 24th of April, it was 2,720,000*l*, but I think the introduction of the circumstance of the payment of the dividends is introducing into the question that which does not properly belong to it; the payment of the dividends is merely a banking arrangement; if you have certain sums to pay, of which you know beforehand, you take steps preparatory to meet the payment.

5223. As far as regards the amount of the reserve held by the Bank, the sudden and temporary issue of a large quantity of notes materially reduces their amount of reserve?—No doubt it does; but knowing beforehand that they have a large payment to make at a certain time, of course they make the ordinary banking arrangements, to meet that: that is a matter of judicious banking arrangement, which I presume the Bank of England would feel itself as competent to make as a private banker would be.

5224. But I wish to ask your opinion upon the point how far the temporary payment for that particular purpose tended to bring on the crisis at that particular period?—We must assume that as the Bank knew they had that payment to make, they had made proper preparatory arrangements to meet it; and all the accounts show that operations of that kind nearly balance each other.

5225. The temporary advances which they had made prior to the dividends, with a view to their receipt for the dividends, were made with the same notes that were issued for the dividends; and therefore a certain time must elapse in which the notes are out of the hands of the Bank?—I should not make the smallest objection to a temporary reduction of the Bank reserve for a few days, at the time of the payment of the dividends; but the facts upon which I made my remarks, were a steady and regular reduction of the reserve from a high amount, at the beginning of January, till it was reduced, in April, to an amount so low as to cause public alarm.

5226. Sir James Graham.] Can you give the amounts?—On the 2d of January the Bank reserve was 8,227,000*l*, and on the 17th of April it was 2,558,000*l*.

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5227. Mr. Alderman Thompson.] What was it on the 9th of January?—£ 6,715,000.

5228. Then it appears that there was a difference of 1,500,000 *l.* in one week?—Yes, that was probably the dividend week; that reduction I do not object to, provided it was met by loans falling due within a short subsequent period.

5229. Mr. Wilson.] I was not wishing to direct your attention to the gradual reduction of the reserve, but the sudden reduction at a particular moment, which was the immediate cause of the crisis?—The reduction does not seem to me to have been sudden; the reduction at the time of the January dividends seems to have been greater than in April; in January it was 1,500,000 *l.* in one week.

5230. Take the 3d of April and the 24th?—From the 3d of April to the 24th, there was a reduction of 950,000 *l.*

5231. From your experience of banking, would you not consider the reduction during that fortnight was rather a nominal reduction of the Bank reserve, than a real reduction?—It was a real reduction, but it was a reduction that might have occurred properly, if the means of recruiting the reserve from other sources within a short period were at hand.

5232. Do not you think it was the inexperience of the public as to the effect of the payment of the dividends upon the reserve of the Bank, which in some measure created the alarm in April?—No, I think not; I believe the real cause of the alarm was the language held by the Bank itself; of course, I cannot prove the fact, and therefore, I should not like to be held responsible for the statement; but the impression of parties in the city was, that at that time the Bank held this language, "We have gone to the last extremity to assist the public; we can do no more; the Act imposes upon us the unfeeling duty of taking care of ourselves; that course we must take." The public interpreted that to mean, "We will make no further advances whatever;" but the Bank did go on making such advances day by day as the realization of securities enabled them to make, and when the public began to find that the advances of the Bank were not altogether stopped, but were only limited to the amount to which their securities were realised, the sudden alarm was considerably allayed, and in the course of three or four weeks we got into a satisfactory state again.

5233. You consider that the panic of April arose from a mistake on the part of the public with regard to that which the Bank meant to do?—Yes; the panic-feeling exaggerated the real difficulty that had occurred.

5234. What connexion do you consider the payment of the dividends had in aggravating the panic in October?—I think it had very little connexion.

5235. Was there not a sudden sinking of the reserve from the same cause?—The reserve fell in October, but I believe it fell from other causes than that; for about six weeks previous to the October dividend the Bank had taken that which was a very reasonable course to take, viz., lending money to parties to be repaid at the period at which the Bank would be called upon to pay the dividend; parties were told that it was for that purpose, and they borrowed to a great amount. I, myself, was continually saying to people, "Beware what you are doing in taking the loan, for the day of payment is sure to come;" but there was an unfortunate feeling abroad, that the Bank must support people in distress; and the answer I got was, "It is a mere question of interest; if we are in distress we must have the money;" when the period arrived for payment, the parties were seriously pressed, and considerable difficulty arose in consequence of those loans, but they were all paid, and the dividends were paid, and, I believe, the whole difficulty connected with the payment of the dividends would have passed off without any permanent inconvenience, had there not occurred, subsequently to that, very serious failures, which shook public confidence and brought on the crisis of October.

5236. It is the uniform practice of the Bank to make advances during the three or four weeks previous to the payment of the dividends?—Yes.

5237. And the conclusion is, that it is a payment in fact in anticipation of the dividends; it is the use which the Bank make of the Government securities, and the facility which they afford to the public by making those advances upon securities, for the purpose of preventing any inconvenience arising to the public from an unnatural contraction of the circulation during the latter portion of the quarter; that is the uniform practice of the Bank?—Yes; it is a judicious banking arrangement to mitigate the inconvenience which would arise from a large payment at a particular moment.

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5238. The repayment of those loans is to be made by monies which are previously paid by the Bank in discharge of the dividends, and, therefore, there must be a temporary period, of a few days or a week, during which a larger quantity of notes than usual must be in circulation before they return again into the Bank in repayment of those advances?—Yes, that is true, and that is a proper and legitimate purpose to which to apply the Bank reserve; during such a transaction as that, there may be a justifiable cause for running down the Bank reserve to a lower amount than it otherwise would be proper that it should be reduced to.

5239. You would not look upon a temporary increase of the circulation of notes, or a temporary reduction of the reserve of the Bank, obviously for that purpose at that period, as coming within the general rule by which the circulation or the reserve should be managed?—I should make no objection to a temporary reduction of the reserve of the Bank, with a view to meet that object; but I should feel a most decided objection to any tampering with the currency, and to any issue of notes without reference to bullion, for the purpose of paying the dividends. The payment of the dividends is an ordinary banking payment, and the proper mode of meeting it is by an ordinary banking arrangement, and it would, therefore, be improper to tamper with the currency in order to meet the payment.

5240. Supposing the Bank increases its circulation in order to pay the dividends, does it not diminish one liability in proportion as it increases another?—Now we are blending two things together, which I apprehend ought to be kept separate—the liabilities of the Bank in the banking department, and the amount of the circulation.

5241. I wish to look at the liabilities of the Bank as a whole, and its deposits and its circulation as a whole?—But its circulation I do not admit to be part of its liabilities, the notes issued by the Bank of England are no more part of the liabilities of the Bank than a bank note which I may have issued for the payment of my own expenses; the notes are provided for by the currency department.

5242. You mean that the banking department does not increase its liabilities?—Exactly.

5243. But I speak of the Bank as a whole?—Then I cannot agree in so speaking of it, because I shall, in doing so, get into confusion; and that only shows how very serious the evil is of having the two departments in the same building; the issue department has nothing to do with the Bank of England; the issue department might be at the Treasury, or at Somerset House, or at York; it has nothing whatever to do with the Bank of England; the issue department has a certain quantity of bullion, and it issues a certain quantity of notes; the Bank of England has at its command a portion of those notes, and I have a portion; I do not increase my liabilities by using those notes, nor does the Bank of England increase its liabilities by using those notes.

5244. But though the Act of 1844 required a particular division of the accounts of the establishment, legally speaking, it is one establishment, with an entire amount of liabilities, and an entire amount of assets?—I am not competent to say what it is legally, but practically that is not the case; and any reasoning deduced from that will inevitably lead to very erroneous conclusions.

5245. But I am speaking of the merits of the Act of 1844, and it is impossible that we can confine ourselves to the regulations which that Act has made, because we must compare them with what the state of things would be, irrespective of those regulations; and therefore it is necessary that we should see what the action of the Bank would be, taking the Bank liabilities as a whole, and the Bank assets as a whole?—It is perfectly proper to compare the operation of the Act of 1844 upon the management of the circulation with what would be the operation of the system existing before 1844, and for that purpose to assume that the system existing before 1844 had continued in existence up to this time, and any conclusions drawn from that I do not at all object to, but my objection was intended to be directed against our assuming that, under the Act of 1844, things were in the state in which they would have been if the Act of 1844 had not been passed; when you are speaking of the effects of the Act of 1844, I object to mixing up the currency department with the banking department; but if you wish to trace out what would have been the operation in the year 1847 of the system under which those two departments were blended together, supposing the Act of 1844

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was not in existence, to that I do not object, and I am quite ready to enter into that question.

5246. The practical object I had in asking the question was this: the Bank Act of 1844 considers as essential that the circulation of notes shall be confined to a certain amount, at all times, irrespective of the character of the circulation, or the objects for which the notes are issued; I want to ask your opinion, whether, for the temporary purpose of paying the dividend, when it was well known to the Bank that they must receive those notes back again within a few days in the repayment of the advances which they had made, it was as necessary for the Bank to observe strictly the same rule which the Bank Act of 1844 imposes, as it would be if those notes were issued in the ordinary way in the discount of Bills, or for any other purposes?—To that question I answer distinctly, yes; the payments with regard to the dividends, or the payments which may arise for other purposes, such as prompts upon duties and payments upon railroads in the early part of 1846, and instalments of loans and so forth, are all payments which ought to be met, and can be easily met by judicious banking arrangements; and the Bank of England, I am sure, is perfectly competent to make arrangements which shall enable them to meet those payments with perfect safety and without any serious inconvenience; that object is easily attained by judicious banking arrangements, and it would be highly objectionable to meet that by any tampering with the currency.

5247. In what respect do you consider it would be tampering with the currency, provided the Bank were to issue further notes for the purpose?—I call tampering with the currency the issuing of notes without reference to the variations in the bullion. It seems to me that if you once introduce that principle, you inevitably introduce great uncertainty into the management of the circulation; the application of that principle will be called for on every occasion, without any adequate necessity, and for the purpose of removing difficulties for which banking arrangements are the appropriate remedy, and may most easily be rendered an efficient remedy.

5248. Would not the issue of notes in that case be precisely of the same character as the transfer of an amount from one account to the other by means of checks or by means of credits?—That tends to raise the whole question which we had in 1841 to satisfy, namely, the identity of bank notes with deposits and checks and so forth; I think the differences are very distinct and very marked, but if transfers in account will answer the purpose, let them be used; I have no objection to it; but it is an additional reason against the expediency of resorting to an extra issue of notes. Transfers in account are a mode of economizing the circulation, and may be applicable to meet the difficulty; but I feel convinced that simple banking arrangements are entirely adequate, and we have never had any difficulty in the payment of the dividends which was of sufficient importance to require any further measure. I consider that banking arrangements are sufficient to meet every difficulty connected with those or any similar payments.

5249. The best evidence that banking arrangements are not adequate to those operations is, that during the payment of the dividends the circulation does invariably considerably increase for a temporary period?—I take that as a proof of what I say, that the banking arrangements are sufficient; the reserve of the Bank, to a certain extent, is applied to meet the difficulty; the notes in the till of the Bank are diminished, whilst the notes in the hands of the public are increased for a short period; and by this most simple and appropriate banking arrangement the payments in question are effected without any disturbance in the market rate of interest, without inconvenience to the public, and without any interference with the principles by which the management of the circulation ought to be regulated.

5250. You were asked some questions with regard to deposits in Manchester and in London; is there not a very wide difference in the inference to be drawn from the two accounts that you have been asked to be good enough to render to the Committee, namely, the variations in the amount of deposits in Manchester and the amount of deposits in London, for this reason, that in Manchester the whole of the reserve of your customers from one period to another show themselves in the shape of deposits in your hands, whereas in London the deposits of your customers are almost uniformly the same, merchants being in the habit

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of keeping their reserve rather in the shape of bills, which they discount from time to time in order to meet their engagements?—I fully agree in most of the views that the question assumes; the deposits with London bankers are of a totally different character, and the word "deposit" is rather an incorrect term to apply to them; they are monies kept with the bankers, by their customers, as the peculiar form of paying the banker for doing their clerical business; you will not find that the fluctuations in the amount of deposits with London bankers are nearly so great as the fluctuations in the amount of deposits with country bankers.

5251. Therefore the fluctuations in the amount of deposits in London would form no indication whatever of the fluctuations generally?—No; it will be information very little worth attending to.

5252. And the fluctuations in the amount of deposits at Manchester are the fluctuations upon the deposits of all classes of customers?—Yes, they include equally the deposits, properly so called, and the mercantile or trading balances.

5253. You stated that you thought the magnitude of the Bank of England was one reason why it should conduct its business somewhat differently from any other banking establishment?—More under the influence of fixed rules, was the expression I used.

5254. You gave as a reason, that at a period of pressure the magnitude of its transactions is so great, that it has a power to interfere for its own protection, to the disadvantage of the public, which private bankers have not?—Yes; I spoke with a reservation, rather as giving an opinion than a decided judgment; I think the effect of the magnitude of the Bank is, that it can throw the effect of its mismanagement more upon the public and less upon itself than a private concern can do.

5255. Do you think that that can be mitigated by the Bank of England being deprived of those peculiar advantages which it enjoys under the Acts of Parliament, and by those advantages being thrown more open to competition?—I am hardly prepared to state what consequence my opinion leads to.

5256. *Sir James Graham.* Did I understand you rightly, that from January to April 1847 the rate of interest at the Bank was below the market rate of interest?—Yes, it was so, decidedly.

5257. Throughout the whole of that period?—Yes, and more so as the period advanced; that difference began at the beginning of January, and continued increasing up to April.

5258. Though there were certain increases in the Bank rate of interest, still those increases were not equivalent to the increase of the market rate of interest?—No; in the second week of January the Bank rate of interest was raised to 3½ per cent., in the third week it was raised to 4 per cent., and from the third week of January to the first week of April, there was no further change in the Bank rate of interest.

5259. Did those increases in the rate of interest raise the rate of interest of the Bank to the level of the market rate, or did it still leave it below the market rate?—I cannot speak quite accurately as to particular periods, but, generally speaking, from the beginning of January to April, the market rate was rising more rapidly than the Bank rate.

5260. In reference to the management of the Bank, would you consider it politic or expedient that for any considerable period of time the Bank rate of interest should be below the market rate?—I do not think that for any length of time the Bank has the power of regulating the rate of interest; the Bank rate can only be below the market rate for that period which shall enable the public, by taking a cheaper article, to exhaust the supply of the Bank.

5261. You say that of late years the Bank has become more of a competitor in discount business than formerly?—Yes.

5262. Is that marked by their keeping their rate of interest lower, as compared with the market rate, than heretofore?—By conforming to the market rate more than formerly they did. The Bank rate formerly was 4 or 5 per cent.; if the market rate of interest was below 4 per cent. the Bank ceased to discount till it got up again to that point; but in point of fact, latterly, the discount department has become a very active department of the Bank.

5263. For a considerable length of time the current rate of interest at the Bank, as compared with the market rate, has been lower than heretofore?—(Of course, if the Bank become more active in its discount operations it must necessarily conform more readily to the fluctuations in the market rate,

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5284. Sir James Graham.] If the Government had not issued the letter in October last, the governor of the Bank has told us that if the pressure upon their resources had continued, it would have been open to the Bank direction to have sold 1,000,000 *l.* of stock at that precise time; is it your opinion that that resource was available?—Yes, I think it was.

5285. You concur in the opinion, that the Bank might have sold 1,000,000 *l.* of stock, even at that time?—I think they might.

5286. What would, in your opinion, have been the effect, supposing they had sold it, and had been able to realize it upon their credit?—It is impossible for any person to say what the effect would have been; it is a matter of guess; when you are dealing with a state of panic-feeling, you are dealing with that which is not by the very statement of it amenable to reason. The sale of such an amount of stock might have frightened the public, or the idea of the Bank realizing securities to that extent, and increasing the amount in the hands of the public for commercial purposes, might have produced a very beneficial effect; it is impossible to say what would have been the result; but if the letter had not been issued, it would have been the duty of the Bank to have sold stock and tried the consequences; and I think it is very possible they might have been beneficial consequences.

5287. In what respect do you think the consequences might have been beneficial?—I always consider that a panic-feeling is quite sure to exhaust itself in a little time, and that the result of a manly perseverance in the right system, is very likely indeed to break down the panic; but at what particular stage no person can say.

5288. If a sale by the Bank of England of so large an amount as a million of stock, and the fact of the sale being made by the Bank could not be concealed, had had the effect of increasing the panic, would not the convertibility of the note have been endangered by that very circumstance?—No; whenever you are speaking of the convertibility of the note, I think you must clearly distinguish between two different causes of danger to the convertibility; one is the danger from the unsound state of the foreign exchanges and the exhaustion of the gold of the country, the other is the danger arising from internal panic and the demand of the public for gold instead of bank notes. The first class of danger is one that is capable of being dealt with on principle, and therefore for that danger of non-convertibility the Legislature has provided. The other cause of danger it is impossible to deal with; there is no effectual mode of guarding against the non-convertibility of the note from internal panic, except that of not issuing notes upon securities; the more you issue notes upon securities only and not upon bullion, the more you increase the danger of risking the convertibility of the note by internal panic; then it only remains to you to make that danger as little as you can. The Act of 1844 reduces the danger to the minimum, because, in the first place, it secures the bullion of the country from exhaustion by the foreign exchanges, and it secures the maintenance, as far as the foreign exchange is concerned, of a very large amount of bullion in this country. The maintenance of a large amount of bullion in this country gives you a double protection against the non-convertibility of the note; the maintenance of a large amount of bullion in the country renders it much less likely that a panic-feeling with regard to the note should arise, and if, from other causes it should arise, a large amount of bullion places you in an advantageous position to meet it; beyond this there can be no further protection to the convertibility of the note against the danger from internal panic, except that which is to be found in diminishing the amount of notes issued upon securities only.

5289. You said, that from April to October the conduct of the Bank of England did not appear to be injudicious?—Yes.

5290. If in October the Government had not issued the letter, the pressure remaining as it was, is it intimated by the governor of the Bank that a sale of stock to the amount of 1,000,000 *l.*, was a resource open to the Bank, does not it appear to you that that sale would be calculated to produce that internal panic which you have described?—No doubt the measures necessary to meet a state of mercantile pressure, especially a large sale of securities by the Bank, might generate a feeling of alarm, and that alarm might cause an internal demand of gold for notes. But that difficulty is in no respect the result of the Act of 1844; it might arise under any other system for the management of the circulation

lation as probably as under the Act of 1844. The course of events leading to such a result is perfectly and entirely independent of the Act of 1844. I think it is a specific and distinct merit of the Act of 1844, that it preserved to the country the certainty of a larger store of bullion to meet that difficulty, if it occurred.

5291. Mr. Gurney stated, as his opinion, what I will now read to you; he was asked, "What is your opinion of the effect of the Act of 1844, in securing the convertibility of the note?" and he said, "My apprehension is, that it tends, in a time of alarm, to increase that alarm; and that by so increasing the alarm, it tends to increase the danger of the ultimate convertibility of the note;" you do not concur in that opinion?—I not only do not concur, but I entertain directly the opposite opinion, and I should have been glad to examine Mr. Gurney upon the reasons that he assigned for that opinion.

5292. He was asked, "Do you consider that, when there is alarm, or what is technically called, a panic, the cure for such panic is by an issue of notes rather than by a contraction of notes?" and he said, "When there is a panic, the only cure is a liberal issue of notes; and, for this reason, that if the community feel that there is a difficulty in such issue, it aggravates the panic; and though I have had it said to me, more than once, 'It is only panic, it is only panic,' I am perfectly certain that there is nothing so powerful in its operation upon the circulating medium, or so wholly uncontrollable, except by an unlimited issue almost, as panic?"—I should like to have contrasted Mr. Gurney's first answer, which you have read, with his second, in which he proceeds to remedy panic by a large and indefinite issue of notes; I should have asked him, "Do you think that that will diminish the danger spoken of in the former answer, of not being able to pay those notes in gold?" It is removing a present inconvenience at the cost of incurring a much greater danger hereafter; it is feared that the power of demanding gold for notes may be used to the great inconvenience of those who are responsible for the management of the circulation. Mr. Gurney proposed to obviate this danger by issuing more notes; that is, by increasing the dangerous power in question. It appears to me that the more wise and statesmanlike course is, to make such regulations as shall place a proper restraint upon the external drain of bullion and thus preserve, under all circumstances, an amount sufficient to meet any probable internal demand.

5293. In the arrest of panic, a step is taken which renders convertibility impossible?—It exposes convertibility still more to the danger that he had previously alluded to.

5294. *Chairman.* You were speaking of the amount of notes issued on securities; do you think it would be advisable still further to limit the amount of notes issued upon securities?—I should have no objection to such a limitation, but I see nothing in the operation of the Act which makes it necessary; it seems to me that the operation of the Act has verified every principle on which it was based.

5295. It has been suggested that, in some cases, it would be convenient for the Bank to be allowed to issue notes upon a greater amount of silver than it is now able to do; would you feel any objection to allowing the Bank to issue on silver to a greater extent than it may do at present?—That is a question which must be answered by those who are conversant with the daily transmissions of bullion between this country and abroad; the propriety of issuing notes upon a certain amount of silver is obvious, but the necessity of not making the amount too large is equally obvious.

5296. You see no objection to an increase of the amount?—No, provided those whose experience makes them the best judges say that it is not increased beyond the proper proportion. It is a question of practical experience, not of general reasoning.

5297. You stated that you were of opinion that the notes in the reserve of the Bank are circulation, equally with the notes in the hands of the public; do the notes in the reserve of the Bank have the same effect as the notes in the hands of the public?—I think they have as great an effect.

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S. J. Layd, Esq.

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S. J. Lloyd, Esq.

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5299. As regards prices, in your opinion, it is equally the same whether the notes are in the reserve of the Bank or in circulation, according to the common notion?—There is no difference in principle between the notes which the public have the power of calling for and making use of; they all constitute the circulation.

5300. Mr. Herries.] And have the same effect upon prices?—The same effect, in principle.

Veneris, 12^o die Maii, 1848.

MEMBERS PRESENT:

Mr. Thorsely.
Sir F. Baring.
Mr. Cayley.
Mr. Glyn.
Mr. Herries.
Mr. Wilson.

Mr. Spooner.
Mr. Hudson.
Sir James Graham.
Mr. Alderman Thompson.
Mr. Disraeli.
Mr. Chancellor of the Exchequer.

THE RIGHT HON. SIR F. T. BARING, BART., IN THE CHAIR.

Thomas Tooke, Esq., Examined.

T. Tooke, Esq.

12 May 1848.

5301. *Chairman.*] ARE you engaged in business?—Not otherwise than as connected with three public companies; I am Governor, and have been for some years, of the Royal Exchange Assurance Corporation, and Chairman of the St. Katherine's Dock Company, and likewise a director of the Australian Agricultural Company; these constitute the whole of my engagements in business at present, and have done so for some years past.

5302. I need not ask you whether you have given your attention to the subject before this Committee?—Yes, I have; it is inevitable that I should have done so, being every day at my post in the chair of the Royal Exchange Assurance Company and in the centre of everything that was going forward.

5303. Will you state what you consider the state of trade was in the beginning of 1846, before the difficulties commenced?—It was in a very quiet and uniform state; the markets for produce and the rate of consumption were fully up to the scale to which they had been extended in former years; there had been some temporary pressure on the money market connected with the payment of the railway deposits into the Bank, but that did not seem to extend itself so as to produce any material impression upon the trade of the country. Towards the autumn, when the failure of the potato crop was ascertained, and the consequent necessity contemplated for a very large importation which would entail a drain of bullion on the Bank, considerable uneasiness began to be felt, and the very great extent to which the railway expenditure was proceeding seemed calculated to add to the feeling of uneasiness which then prevailed; at the same time there seemed to be no very sensible impression from those circumstances on the state of the money market; towards the close of 1846 it was a state of some degree of apprehension but not of actual pressure or inconvenience of any kind.

5304. Will you allow me to ask you, before you proceed further, when you say the state of trade was quiet, do you mean to state to the Committee that there were no symptoms which struck you of overtrading?—There was no external appearance of overtrading or of speculation in the markets for produce; it was quite evident that there was a very large circulation of bills of exchange, but there was no other appearance which could be considered as indicating any tendency to speculation or overtrading.

5305. In railways, I understood you to state that there was a considerable speculation upon which you did not look favourably?—The great variations in railway prices, and the speculations in shares and scrip, had terminated, I conceive, at the close of 1845; after the autumn of 1845, the calls under the Acts that had passed, and the apprehension of the effects of the numerous Bills that were then before Parliament were creating uneasiness, as I said before, but there was, apparently,

apparently, no speculation, properly speaking, in railways that was any longer calculated to excite notice as mere speculation; there was the same disposition among parties interested to obtain Bills, but, I doubt whether, after that period, there would have been any great disposition on the part of the subscribers to go on with them.

5306. Will you have the goodness to state to the Committee in what way you consider that those railroads were injurious?—Simply by absorbing an unusually large proportion of floating capital and converting it into fixed capital, and therefore diminishing the capital available for mercantile purposes.

5307. You were proceeding to state the difficulties of April 1847?—If by the difficulties of April 1847, you allude to the pressure upon the money market, the rise in the rate of interest, and the great difficulty of obtaining discounts at all, that part of the pressure of 1847 I attribute exclusively to the Act of 1844.

5308. Before we go to that, I will ask you to what do you attribute the difficulties of the country?—The originating cause, I consider to have been mainly the failure of the potato crop and its consequences, and next, the large and increasing calls and loans by railway companies; there was, moreover, a diminished stock of most of the raw materials of our manufactures, which rendered necessary a large importation of them as well as of corn, and I should include, among other causes coming under that general head, the state of the cotton trade, and the deficiency of the cotton crop in the United States of America, which reduced the manufacturers of this country to the alternative either of supplying themselves, at an enormously increased rate, with the raw material, or of diminishing the extent of working of their mills; those were the general causes.

5309. Do you think it was the combination of all those causes together, or do you think any one of them individually taken would have produced the crisis?—I do not imagine that any of them singly, or that when combined, they would have produced the crisis. I do not believe a crisis would have occurred, such as did occur in April, had it not been for the peculiar operation of the Act of 1844 by the separation of the Bank into two departments.

5310. Will you explain to the Committee your view of the manner in which the Act of 1844 operated in 1847, so as to render the crisis more severe?—It operated by diminishing the power of the Bank to grant accommodation in consequence of the narrow limit of its banking reserve, instead of allowing the Bank, as it would have had the power of doing but for that Act, to grant extended accommodation at a moderately increased rate of interest; for instance, at the time of pressure in April, when the reserve was reduced to 3,000,000*l.*, which compelled the Bank directors, in their own defence, to take measures of the utmost severity of restriction, there were no less than 6,250,000*l.* in the issue department, which was no little available as if it had been in China.

5311. What course would you have had the Bank pursue in that case?—If it had had power over its undivided treasure, I think it might have made an advance in the rate of interest to 5 per cent. in April; and if the demand for the exportation of gold continued, as it was likely to do under those circumstances, it might have raised the rate possibly to 6 per cent., and at that rate I verily believe that the Bank would have been in no danger whatever.

5312. You conceive that the ultimate rise in the rate of interest to 6 per cent. would have secured the Bank?—In my opinion, perfectly; at the same time I may perhaps be permitted to observe, that by the restrictive regulations of the Act of 1844, and subsequently by the restrictions on the Scotch and Irish Banks in 1845, the treasure of the Bank in the autumn of 1845, was less, by fully 2,000,000*l.* than it would have been but for those Acts.

5313. Will you explain that to the Committee?—Under the Act which restricted the circulation of the English banks, it is quite clear that there must have been an increased quantity of reserve in coin held by the issuing bankers generally; what the amount of that increase was there are no means of knowing; at the same time, it would have been desirable, if it could have been procured, to have that information if it was merely for the purpose of judging of so much of the operation of the Act. But there is this ground which leads me to conclude that a considerable amount of bullion was abstracted from the treasure of the Bank at that time, which would have been in their coffers, but for the necessity that the banks were under of conforming to the restrictive regulations of 1844 and 1845. I have been able to find what the amount of coin and bullion among the banks in Scot-

T. Toke, Esq.

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T. Fiske, Esq.

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land was previously to the operation of the Act of 1845. That Act came into operation, I believe, in December of 1845. The total amount of coin and bullion among the banks in Scotland in November 1844, was 324,982 *l*. In November 1845, preparatory to the Act coming into operation, the amount had been 676,674*l*, and in November 1846 it was increased to 1,284,261*l*, being an increase of 950,000*l*. Now there is no reason to suppose that that would have been required as the reserve in the vaults or tills of the several banks in Scotland, but that it would have remained, as it had heretofore done, in the coffers of the Bank of England, available if wanted for the purposes of those banks. If Scotland alone took 950,000*l*, I think it is a fair presumption that the circulation of Ireland, which is nearly double that of the whole of Scotland, would have required at least as much, I should imagine, possibly more. There is no doubt that the Bank of Ireland, and the Provincial Bank of Ireland, have held habitually a larger proportion of coin and bullion than seems to have been held by the banks of Scotland, but still I think it is hardly possible but that the Irish banks should have required a considerably increased amount of bullion; in point of fact, both the Bank of Ireland and the Provincial Bank of Ireland do appear to have increased their stock of coin and bullion, in consequence of the requirements of the Act of 1845, although only to a small extent, because they were in the habit of keeping a rather large reserve; but I should imagine that not only the increase, though it was a small one, of those banks, but the increase of all the rest of the Irish banks, must have required at least as much as seems to have been required by Scotland; therefore, the increase required for the Scotch and Irish banks alone, would nearly make together 2,000,000*l*; and it is hardly conceivable but that the restriction on the circulation of the banks in England and Wales must have required more or less of coin in addition to that which they had been previously in the habit of holding. My general impression is, that taking Scotland and Ireland and the English banks, there would not have been much short of 2,500,000 *l*. to 3,000,000*l*. required; but I would assume that the amount must have been at least 2,000,000 *l*. If you add that to 16,300,000 *l*., the amount of bullion in the Bank in September 1845, it would give 18,300,000 *l*. as the treasure which the Bank would have had to meet the drain which was inevitable from the vast payments to be made for the importation of food and raw materials. In that case the bullion which the Bank would have had in its coffers on the 17th of April, when it had in its actual state only nine millions two hundred and odd thousands, would have been above eleven millions. By the violent operation of the Bank, in the middle of April 1847, the directors stopped the drain. Now, if the Bank had only raised its rate of interest, as I think they might have done, and most probably would have done, seeing the strength of the tide out, to 6 per cent., I think that there might have been a further export of a couple of millions. I believe, if you would inquire among persons most connected with the operation of payments to America or the continent of Europe at that time, you would find that the export of 2,000,000 *l*. of bullion, in addition to that which went, would have been quite sufficient to have satisfied any debt that had been incurred beyond what we were paying for as a matter of course in goods, making a total transmission of precious metals of somewhat above 9,000,000 *l*.; but, admitting it had been 10,000,000 *l*., it would still have left in the Bank treasure only 1,000,000 *l*. less than it was then possessed of. If after that they had maintained the rate of interest at 6 per cent., I believe not only the tide out would have ceased, but that a reflux would have been commenced, as it was about then to do, from the circumstance of those payments having been already satisfied, and the result of our own harvest having proved that no further importations of corn of any magnitude were necessary.

5314. Supposing that your expectations had been deceived, and that the drain had not ceased by the operation of those measures, or supposing that we had had a second bad harvest, and a further export of gold to have paid for a further import of food, what steps, under those circumstances, would you have felt it necessary to take?—I should say that under those circumstances, the banking department could not have maintained its payments, unless the directors had carried their restrictions to such an extent as must have stopped the whole trade of the country.

5315. Do I understand you rightly, that if there had been a second bad harvest you believe the Act could not have gone on, and that even if your own measures had

had been adopted there must have been a suspension of cash payments!—Not necessarily a suspension of cash payments; but most undoubtedly a necessity for the suspension of the Act of 1844, and after that suspension the circulation would have been in the same state as if the Bank had originally had its undivided amount of treasure, with the advantage that I am supposing, of having already paid away a larger amount of bullion than it had actually done.

5316. But with a view of getting your opinions clearly before the Committee, I am anxious to know, supposing the Act had not been in operation, and supposing the Bank had had 2,000,000*l.* more gold, and supposing the drain had taken place in the way, and had been met in the manner you have stated, and there had been a second bad harvest, what would have been the measures you would have followed, and what result would you have expected from following those measures?—Upon that hypothesis there is no doubt that the Bank, in order to save itself from the suspension of cash payments, would have been obliged to resort to measures of great severity. Supposing the drain (which I do not imagine to be likely), to have continued, so as to have reduced the reserve of bullion in the two departments to 3,000,000*l.*, the directors could not have pursued the same measures as they pursued in April, when the reserve of the banking department was reduced to 3,000,000*l.*; they had the same resources, and, in point of fact, more resources; because under those circumstances the probability is that the public would have taken a larger amount of Bank of England notes, which would have relieved the Bank instead of distressing it, as it did in the autumn of 1847. It appears to me, that the argument is perfectly complete, that at least supposing a second bad harvest, under the separation of the departments, there must have been a suspension of payments in the banking department, or a suspension of the Act, or the directors must have adopted the same course as would have been necessary, supposing the departments had been undivided.

5317. Mr. *Herries*.] That is under the Act of 1819?—Yes.

5318. Mr. *Coxley*.] You are now referring to April?—No, it includes the hypothesis of what would have been the case in October, because the second bad harvest must suppose that.

5319. Mr. *Herries*.] Independently of a second bad harvest, the same argument would apply if the pressure arose from any other cause?—Precisely; if we had been involved in a war, and there had been the payment of troops abroad, or a subsidy to some foreign power, the same argument would have applied.

5320. *Chairman*.] And the same thing would have happened if your remedy of charging 6 per cent. had not stopped the drain?—Yes.

5321. Mr. *Herries*.] Your remark applies to October as well as April?—Yes; and I may observe that the reasoning upon which the promoters of the Act of 1844 have gone, which is that of the indefinite nature of drains, proves too much. It is the inherent vice of the banking system, in whatever shape you have it, which includes the employment of deposits in securities, that is in loans and advances, that there may be a combination of circumstances which may entail a suspension of cash payments, and therefore the endeavour to reduce those who, with me, argue upon the sufficiency of a large treasure to meet a demand of great magnitude, but still definite, to the position of being unable to obviate, under peculiar circumstances, the necessity of suspension, proves, as I said before, too much, for it goes against all banking.

5322. In no case whatever is there a capability of resisting an indefinite demand?—No, and I would go further in this stage of the examination; I would say that those who propose that the circulation should conform to a wholly metallic circulation, as a type or model of what would be a perfect state of the currency, do not appear to me to understand or to render intelligible, at least to my understanding, what they consider would be the operation of such a circulation; they have not stated, at least to my apprehension, whether credit, in any shape, was to be allowed; if credit, in any shape, were to be allowed, and if banking business consisted in advances by loan or discount out of the deposits, then I conceive you might have, even under a perfectly metallic circulation, a general suspension of payments. It is perfectly conceivable that in periods of confidence the banks might make over-advances upon inconvertible securities or not sufficiently convertible securities, and then, upon a sudden demand for gold for foreign payment to a very large amount, such as occurred last year, the banks that happened to be the least provided with a reserve, or which had been most

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improvident in their advances, might not be able to meet the claims of their depositors, and would suspend their payments and create a panic exactly in the same way as has recently occurred, and in former instances occurred, reducing the amount of bullion in the Bank, and incurring the danger of a general suspension.

5323. *Chairman.*] Calling you back to the point we were upon, I understand you still to say, that if the drain had not ceased upon raising the rate of interest to 6 per cent., the Bank should then, according to your view, have had recourse to stronger measures, such as it had recourse to in the April of last year?—Such measures as they might find necessary, in their judgment, to turn the exchange.

5324. They must have had recourse to strong measures?—Yes, but only to be resorted to in case of so obvious a necessity.

5325. Allow me to put to you this difficulty; if the Bank was ultimately obliged to have recourse to those strong measures the Bank might create an internal drain, or some other cause might create an internal drain, and the Bank would at that time be in a state of extreme weakness, as regards its bullion, and little able to meet the difficulty; whereas, if the strong measures were taken earlier, the Bank would be in a state, as regards its bullion, of meeting a severer drain than it would be in, according to your plans?—So much depends upon possible circumstances, in regard to merely hypothetical reasoning, that it is not easy to state anything very distinctly as to what would be or what would not be the consequence; but I do not see that there would be any state of feeling of apprehension about the stability of the Bank that would lead to any increased demand for bullion on the Bank from that cause; the only circumstances that can affect the stability of the Bank of England, that is, as regards the maintenance of its payments in cash, is the demand for bullion for export on a large scale; an internal drain is necessarily of a very limited amount, and, as far as experience goes, that sort of drain is rather increased than diminished by any restrictive measures of the Bank; in 1839 the Bank was reduced, and remained for some time with a state of treasure of 2,500,000*l.*, so low a state as created a considerable degree of apprehension on the part of the public as to the position of the Bank, but during the whole of that time there does not seem to have been anything of that alarm which is supposed to create a run upon the Bank for gold; in 1825, when it was known that the Bank of England was much lower in the amount of treasure than it had been since 1783, that is, that it was reduced to 1,000,000*l.*, there was no apprehension respecting the bank note; and the proof of that is, that when 7,000,000*l.* or 8,000,000*l.* additional of bank notes were issued, that addition not only did not increase the demand on the Bank for gold, but gold came in coincidentally with that very large increase of bank notes; and I firmly believe, that in October last the treasure of the Bank would have been 2,000,000*l.* or 3,000,000*l.* higher if the directors had opened their doors more widely for the accommodation of the public.

5326. Do you mean to say that an internal drain is a thing so unlikely, that you do not fear it when the bullion is low, and you would take no precautions against it?—If by an internal drain you mean a demand by the public for gold in exchange for bank notes, under an apprehension of the stability of the Bank, then I say there is no ground at all for such apprehension; in all the recent cases of pressure, or the former ones, there is no case within a century past in which there seems to have been a feeling of apprehension on the part of the public of the value of bank notes; I put out of the question the state of bank notes during the restriction, for that does not affect the question.

5327. But during the difficulties of last year, do you consider that there was no drain upon the Bank for gold for internal purposes?—Yes; in consequence of the operation of the Acts of 1844 and 1845, the demand upon the Bank for bank notes was exactly the same as if it had been a demand for gold. The Bank restricting, as much as it was in its power to restrict, its issue of bank notes, gold was substituted for bank notes, and in point of fact that is a circumstance which the public do not seem to attend to; the whole of the reserve of the Bank under its present form, is essentially gold. The banking department holds notes simply as a matter of convenience, knowing that by sending across the quadrangle, it can get gold in exchange for bank notes.

5328. There was a considerable demand for gold from the Bank by country bankers during the difficulties?—Yes, but that was for the retail trade, the bank notes not been applicable to that, and country banks being confined in their
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issues were afraid of transgressing the prescribed limit, particularly in Scotland, where there is a one-pound note circulation.

5329. We will speak of England at present; I do not see how that applies; I do not see how the Act of 1844 should have compelled parties to take more gold than they would otherwise have taken!—I believe a good deal of the extra quantity of gold was required by the country for retail purposes, and they might like gold to hoard instead of hoarding bank notes; that is a very possible case, but still I believe that there has been no demand upon the Bank for gold against notes from a distrust of the stability of the Bank. I take the two cases, the case of 1825 and 1839; 1825, in my opinion, is quite decisive, and in 1839, the publication was sufficiently distinct to show that the treasure of the Bank was considerably below 3,000,000 *l.*, and that if the demand continued on that scale, the Bank was in very great danger; but I would refer to any of the contemporary circulars of brokers, or the daily city articles, to show that there was no demand upon the Bank excepting for foreign payment at that time.

5330. I am not speaking of a run upon the Bank from parties who doubted the security of the Bank, but I am speaking of that demand for gold which in times of difficulty was, I thought, not uncommon for internal purposes?—It does appear that, except for the retail trade, which requires gold and silver in England, the demand of the public for gold was exactly the same as their demand for bank notes; they kept gold if they could not get Bank of England notes.

5331. Your proposition would have been to have raised the rate of interest and to have allowed the gold to have run off till the exchanges were righted, and you contemplate that that would have been done without any great difficulty?—Exactly, and I think if anybody would take the trouble to inquire, or had the means of collecting information as to the state of the balance of payments at that time between this country and foreign countries, he would find that the demand would have been fully satisfied by the export of 2,000,000 *l.* or 3,000,000 *l.* at the utmost more than actually went out; it was prevented from going probably by the violent operation of the Bank. There is no advantage in a large reserve if you do not make use of it to satisfy accidental large payments abroad. Perhaps you will allow me to observe, that according to my view, this would have been the position of the Bank independently of the Act of 1844; in the autumn of 1845 it would have had as nearly as possible double the amount of bullion which the Bank actually had to meet the very large drain of 1839; the treasure of the Bank at the commencement of the drain of 1839 was about 2,300,000 *l.* and, according to my view of what it would have been in the autumn of 1845, it would have been nearly double that amount; it would have been 18,300,000 *l.* or thereabouts.

5332. Have you anything to add in reference to the pressure of April 1847?—One peculiar phenomenon of the circumstances in April was, that violent as was the operation of the Bank in restricting its accommodation, there were no failures of any considerable magnitude during the whole of that period of pressure; it may be right to observe, showing how very little direct influence the operation of the Bank of England has upon prices, that during the height of the pressure through April and the beginning of May, the speculation in the corn trade was carried to its greatest height, and the price of wheat advanced between the middle of April and the middle of May, I think, fully 20s. a quarter.

5333. Do you attribute the difficulties of October to the operation of the Act of 1844?—A great deal of the difficulties of the autumn of 1847 were the consequences of the state of discredit, first in the corn trade, and subsequently in the East India and other branches of trade, which difficulties were of unprecedented magnitude, as coming within so limited a space of time.

5334. Do you attribute the difficulties in the corn trade to the Act of 1844?—I conceive that they were aggravated unquestionably by the Act. Houses, otherwise solvent, were precipitated into insolvency by the extreme difficulty of obtaining the ordinary accommodation.

5335. With regard to the difficulties of the East India trade, to what do you attribute those difficulties?—I think it is hardly possible to deny that a great deal of over-trading prevailed in the East India trade, from the extreme facility of credit, and from the peculiar modes of raising money, to which there was the means of recourse; I mean the very long dated bills, and the very large advances made upon forthcoming consignments by brokers and other parties interested in that branch of trade in this country.

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5336. I need not ask you whether you approved of the issue of the Government letter in October, for you were entirely against the Act itself?—I am so much against the Act itself, that I conceive great mischief arose from the delay in the suspension of it; I think the whole of the shock to commercial credit in the course of the latter part of September and through the first 23 days of October, was mainly attributable to the operation of the Act of 1844.

5337. Will you explain your views to the Committee?—I think it must be self-evident, that if the suspension of that Act produced such relief as it did, the operation of it immediately before the suspension, must have been of the very grievous description which produced those shocks; I think that conclusion is inevitable.

5338. Will you state in what way you consider the Act operated injuriously in September?—By the difficulty which the commercial public had in obtaining banking accommodation, and by the very high rate of interest; the rate of interest not being measured exactly by the minimum which was given out by the Bank. The Bank had different rates, and there was considerable difficulty in obtaining discounts upon bills, except at short dates, or at enormous rates of interest, such as I will say 9 or 10 per cent., which I consider to be an exorbitant rate for such bills as came within the Bank rules. All other bills were hardly discountable at all. I do not conceive that the difficulties which then arose need have occurred but for the Act of 1844.

5339. Do you approve of the limit placed by the Government letter upon the rate of interest?—Not at all; I conceive that it was a very unnecessary interference with the discretion of the Bank, and it created a very unpleasant impression upon the public, as far as I could judge; I did not hear of a single instance among those whom I was in the habit of communicating with every day, merchants and bankers, of a person approving of it; they all spoke of it with reprobation.

5340. That was the general opinion?—Yes, and my own opinion.

5341. Will you state your objection to it?—My objection is, that it assumed that the Government was the judge of the proper rate of interest, and it had the effect of confining the Bank, supposing the Bank had thought it expedient, as I am sure they ought to have thought it expedient, to relax in their restrictive measures at that time. My firm belief is, that although the abruptness of it would have been objectionable, if the direction had reduced their rate of interest to 6 or even 5 per cent., it would not have had the slightest effect in rendering the foreign exchanges unfavourable, which was the only thing at that time to be apprehended.

5342. You would have been of opinion that the Bank should not have lowered its rate of interest so as to have endangered the foreign exchanges being unfavourable?—Certainly; but I have no idea that any reduction within moderation, say to 6 per cent., which is within that limit, would have had the slightest effect in turning the foreign exchanges, for at that time the state of discredit here, from the failures which had occurred, was such as to render it next to impossible that the exchanges should be so depressed as to send the precious metals abroad.

5343. Was your objection to the rate that was fixed?—Yes, as indicating a confirmation of the restrictive policy of the Bank under those circumstances, that restrictive policy at that time being, in my opinion, impolitic.

5344. Do you think the Bank can keep up their rate of interest beyond that which is the natural rate of interest?—Not for any length of time; but that it operates for intervals of some length is quite clear, from the importance which is attached to it; it is evident, from the restriction proposed by that letter, that it was assumed that the Bank had considerable influence upon the general rate of interest.

5345. For a time, in your opinion, the Bank can raise and reduce the general rate of interest, but not permanently?—Exactly; for a time, there is no doubt it can do so, and you cannot but perceive it, from the circumstance that every movement of the Bank, in the increase or diminution of the rate of discount or in the rate of interest for its advances, has considerable importance attached to it by the public; and I believe the frequent alterations in the rate of interest by the Bank are exceedingly inconvenient to the public, and that it is the necessary effect of the separation of the departments that such alterations should be frequent and abrupt.

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5346. Will you state what your opinion is of the conduct of the Bank during the difficulties of 1847?—I think the conduct of the Bank was very judicious, upon the principle involved in the Act, that they were to look to their reserve, and to maintain payments in the banking department only; that was all they had to look to, but having to look to that, I do not know that they could have acted otherwise than they did during the difficulties.

5347. It has been stated to the Committee, that the Bank since the Act has taken a more active part in discounting and in interfering with the discount market than it did before; that accords with your experience?—Certainly.

5348. Do you approve of that course?—Not at all, I think it is very inconvenient to the public. I think under the old system the Bank would not have ventured upon a reduction of the rate to $2\frac{1}{2}$ per cent. from 4 per cent., which it had been before; and the frequent alterations subsequently were a source of considerable anxiety to the public.

5349. You object then to lowering the rate of interest to the low rate to which it was lowered by the Bank?—Most unquestionably.

5350. Do you consider that a part of the operation of the Act?—I believe that there cannot be a doubt of it; in September 1844, just coincidently with the Act coming into effect, the directors reduced the rate from 4 per cent. to $2\frac{1}{2}$ per cent., and there were several alterations in the rate between that and April 1847. I do not believe that under the system as it prevailed before 1844 the Bank need have made more than two alterations in the rate of interest, namely, from 4 per cent. to 6 per cent.

5351. According to your opinion the Bank should not follow the general rate of interest of the country, but should have a limit below which it should not go?—I think that the attempt to follow the general rate closely is attended with very great inconvenience; there is hardly any merchant or banker that you could apply to who would not say, from his experience of what the state of the circulation had been before 1844, and what it was between 1844 and 1847, that it was a much more convenient state of it before 1844 than it has been since.

5352. Is it your opinion that the Bank should have a minimum rate, below which it should not go, say 4 per cent.?—Yes, I think lowering the rate below 4 per cent. was an error, arising out of the conception which was impressed upon the directors as being the spirit of the Act; but if they had disregarded that sort of opinion, and had continued the rate of 4 per cent., I am quite sure that the subsequent fluctuations would have been mitigated.

5353. Are you satisfied generally with the conduct of the Bank?—I do not mean to say that I have considered the conduct of the Bank as having been on all occasions such as I should have approved; and indeed, I have taken the liberty of blaming their conduct in 1835 and 1836, and in 1838 and 1839; but I conceive that most undue importance has been attached to their errors of judgment on those occasions. The only cause of dissatisfaction I have, that is of any importance, with the conduct of the Bank, is that of its having regulated its business upon too small a reserve. During the average of the 10 years, from 1833 to 1842, the amount of bullion in the Bank was only about 6,800,000*l.*; during the three years 1839, 1840 and 1841, it was only 4,500,000*l.* Now, that I conceive to have been exceedingly dangerous, and that should have been, in my opinion, the main point to which the attention of the directors, at the renewal of the charter and the arrangements with the Bank, ought to have been directed. I think if, instead of this most unfortunate Act of 1844, there had been an arrangement made with the Bank, that the directors should consider themselves bound to maintain an average amount of treasure, double at least of that which they had maintained in the 10 years since the previous renewal of the charter, namely, from 1833, we should have avoided a good deal of the inconvenience connected with the management of the Bank. We should not have had either the difficulties of 1836 and 1837 or of 1839, if in each case the drain had begun with an amount of treasure such as in 1846, and there need not in that case have been the slightest attention paid to the circumstances of the drains for foreign payment which occurred at those periods.

5354. What do you say was the average that they had in those 10 years?—The averages were, for 1839, 4,400,000*l.*; for 1840, 4,100,000*l.*; for 1841, 4,700,000*l.*; and the average of the 10 years was, 6,800,000*l.* A reserve of from 10,000,000*l.* to 12,000,000*l.* is what I should have made a matter of stipulation with the Bank; and if they had objected to the expense that it would

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involve from their having such large unproductive assets, the compensation for that might have been considered in the pecuniary arrangements.

5355. What has been the average since the Act of 1844 has passed?—The average of the five years, from 1843 to 1847 inclusive, has been 13,400,000 *l.*, as nearly as may be, double what it was before.

5356. Then the Act, as far as that is concerned, has done the very thing you want?—Yes, if the Act did it; but the Act did not do it. I should wish to explain myself distinctly on this point. The maximum of the amount of treasure was reached before the Act came into operation, and you cannot, by possibility, ascribe to the Act of 1844 any part in that large amount of treasure. I contend that the Act made the amount of treasure less at the commencement of the drain by 2,000,000 *l.* than it otherwise would have been; and it is impossible, in my mind, to connect the Act of 1844 with the large amount of treasure, as it existed in the autumn of 1846. I am sure that a great deal of the delusion which prevails about what is called the principle of the Act of 1844 is founded upon the assumption that the Act was the means of creating the amount of treasure, but it had no more to do with it than anything that passed in the East Indies at the time.

5357. Mr. Herries.] What was the largest amount of reserve immediately preceding the passing of the Act?—On the 23d of March 1844 it reached 16,395,000 *l.*, and that was not only before the Act of 1844 came into operation, but before the public had the least idea of what the new arrangement with the Bank in 1844 was to be; I should beg leave to observe upon this, as a very important point; great credit is taken by the advocates of the Act for the very large amount of treasure with which the drain was met, and for the fact that, at the expiration of the drain, there were 8,000,000 *l.* remaining; now I believe that there would have been as much remaining if the Act had not existed, and certainly it was not owing to the Act that the drain was met by so large an amount of treasure.

5358. Chairmen.] Do you then mean that if the measures you propose had been adopted, there would not have been a further drain of gold?—Not altogether; I contend that there would have been from 2,000,000 *l.* to 3,000,000 *l.* more of treasure to begin with, so that you might have allowed 4,000,000 *l.* more to go out, and still you would have met the difficulties of October 1847 with nearly as large an amount of treasure remaining.

5359. You stated that you conceived that the arrangements with the Bank should have been that the Bank should have kept an average reserve, double what it had kept, or from about 10,000,000 *l.* to 12,000,000 *l.*?—Yes; on a former occasion, in my evidence before the Banking Committee of 1840, I stated 10,000,000 *l.*; I believe 10,000,000 *l.* might be sufficient, but with the experience of a drain so much larger than I could reasonably have had in contemplation at that time, I should rather say that it should be an average of about 12,000,000 *l.*

5360. When you speak of the average, do you mean by the average, the average in the course of a year, or in the course of a long period of years?—I was prepared for that question; and there is one point upon which, instead of a great deal of other information, it would, I think, have been very desirable to have obtained information in 1840, as well as more recently, and that is, whether the Bank could or could not maintain habitually a larger amount of bullion than it had maintained; Mr. Hoesley Palmer, in his evidence in 1840, stated, in answer to a question put to him to that very effect, that the Bank could maintain a larger amount, and that it was only a question of expense, meaning, of course, the expense arising from the loss of interest upon the increased amount; with regard to that, the principle might have been brought into operation most satisfactorily at the very time the new Act came into force. The large amount of treasure then existing would have obviated the difficulty the Bank would have been in, if they had had to commence to raise the treasure from 8,000,000 *l.* or 9,000,000 *l.* to 16,000,000 *l.* or 18,000,000 *l.*; but being at 16,000,000 *l.* or 18,000,000 *l.*, according to my view, they might allow the treasure to run down to a moderate extent upon any foreign demand, but if they found that it was at all of a character to bring into question their power of maintaining the proposed average amount, they would raise the rate of interest, and they would not do as they have done on other occasions, the moment the drain ceased, have reduced the rate of interest; for instance, in 1839, having raised the rate of interest to 5 per cent. in the autumn of 1839, they reduced it to 3 per cent. in the January following; now I would not have recommended them to do so; upon the system I propose, they would have continued the rate of interest so as to have run down their securities, and there is no question

question that, by running down their securities, the tendency would have been to a much more rapid influx of bullion than by keeping up their securities.

5361. But the question which I put to you is this, what you meant by the Bank keeping an average of 12,000,000 *l.* of bullion; do you mean that it should be an average of 10 years, or an average of one year, or of five years?—That I am quite aware is a question that very naturally arises, and that would be a question depending for its solution very much upon circumstances. I should say, that it is hardly conceivable that circumstances should be such as would prevent their recovering whatever they might have lost from the maximum within five years; what I should have proposed would have been this, that they should always have that amount in view, and that having once raised their rate of interest to such a rate as they thought necessary to stop the drain, they should continue that rate till the amount was restored to what it had been. The difficulty of saying precisely how and within what time the average should be maintained applies to almost all banking affairs; all bankers must have in view some amount that they think necessary to preserve on an average, and I do not see myself any difficulty that the Bank would be under in regulating its business, its securities, in point of fact, in such a way as would after any considerable drain, restore the amount of its treasure.

5362. Then, as you think that would be perfectly possible, will you have the goodness to state to the Committee to what amount you would allow the drain to run before you would take those steps which would be necessary to recover the average?—I would allow the drain to go rather low, because at worst the Bank can always right itself, and the drain of treasure, which upon the supposition is a very large one, must be satisfied according to all reasonable views of the utmost probable extent of a sudden adverse balance of trade, because it can only be in the case of a considerable adverse balance of trade that there can be a sudden drain to the extent supposed.

5363. Then, we will suppose a store of 16,000,000 *l.*, and an average of 12,000,000 *l.*, that would give you 4,000,000 *l.* to run upon, and then you would get below the average; in what way would you stop?—I would not stop at all till it came to exactly the same point as that at which the Bank directors were obliged to have recourse to such violent measures in April last, which appeared to me to be the absurdity of the operation of the Act at that time; and the hardship to the public was, that the Bank was compelled to resort to the same arbitrary measures whilst there was 6,000,000 *l.* of treasure in the issue department, as they would have been obliged to resort to if they had been reduced in their undivided state to the same or half the amount.

5364. You would have gone down to 3,000,000 *l.*?—Yes; I do not conceive it at all probable that any circumstances that I am aware of historically would ever have brought it down to that point; and I am sure that under the late drain, large as that was, there would not have been a reduction of treasure if it had been conducted, according to my view of it, below the point it reached, of 8,000,000 *l.* I would so far modify the maximum and minimum that I considered sufficient in 1840, when I supposed it might range from 15,000,000 *l.* to 5,000,000 *l.*, I should be disposed to think that it should be from 18,000,000 *l.* to 6,000,000 *l.*, making the medium 12,000,000 *l.*; and I have no idea, that after parting with 12,000,000 *l.*, there are any circumstances in which this country could be placed that would endanger a further continuance of the drain.

5365. Am I to understand that you would begin to operate when the bullion was brought down to 6,000,000 *l.*?—It would be requisite, probably, to take further measures, by either restricting the advance, or by a moderate rise in the rate of interest; but if it got down to 3,000,000 *l.*, I should certainly say that the Bank must take such measures to save themselves as were readily at hand; but after that export of bullion of 10,000,000 *l.* or 12,000,000 *l.* it appears to me impossible that there could be a drain of any violence.

5366. Consequently you would take no step till it came down to 6,000,000 *l.*?—I would not say 6,000,000 *l.*, I have suggested that the rise in the rate of interest should be from 4 to 6 per cent.; that is my range.

5367. You would begin to operate in that way?—Yes, after the loss of 6,000,000 *l.*, when it got to 12,000,000 *l.*, which is my pivot.

5368. When you get it down to the pivot you begin to take measures to right it again?—Yes.

5369. And you would begin to take corrective measures as soon as you pass 6,000,000 *l.*?—Yes, and the extent of those measures, and the degree of restriction

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of accommodation must be left to the judgment of the directors, it being quite impossible to point out beforehand any limit, and to say it shall not go below a certain amount under any circumstances.

5370. But I understood you to say that you would insist upon the Bank having upon an average of five years or one year, 12,000,000*l.*?—Not one year, I should say not less than five years, because so many circumstances may arise; in reasoning hypothetically there is no conclusion that might not be come to, but taking such circumstances as have occurred within my experience or within the range of my researches, I should say that there is no probability of any such sudden drain for foreign payment as would not be abundantly met by the export of 10,000,000*l.* or 12,000,000*l.* of bullion.

5371. Supposing the Bank directors had begun with the 16,000,000*l.* which existed in 1844, you believe that that rule might have been carried through without any difficulty?—Exactly; but with more ease, if you admit what I contend is susceptible of proof, that the treasure of the Bank would have been above 18,000,000*l.* in the autumn of 1846, but for the Act of 1844, and that therefore you might have parted with 6,000,000*l.* before you got down to 12,000,000*l.*

5372. The treasure would have been in the reserve of the Bank?—Precisely.

5373. Your remedy now would be to repeal the Act of 1844, altogether?—It would.

5374. Mr. *Herries*.] To go back to what you have said before, respecting the average of the reserve of gold to be maintained by the Bank, you would have the Bank endeavour at all times to maintain about that amount, 12,000,000*l.*?—Yes.

5375. But you would have them possess the discretion of allowing the amount to go lower without their taking very coercive measures to maintain the amount, if circumstances should require it; do I rightly collect your meaning?—To the extent you have stated it, you have collected my meaning; but the farther part is, that under that system the Bank directors should not take any coercive measures to counteract the efflux till it reached 6,000,000*l.*, they should then maintain the relative high rate of interest till the amount of treasure was tending to its maximum.

5376. Mr. *Chancellor of the Exchequer*.] That is 18,000,000*l.* or 20,000,000*l.*?—It might reach 18,000,000*l.* or 20,000,000*l.*; and I should beg leave to observe, that I conceive that, as a general principle, the facility of maintaining the general commercial credit of the country under circumstances occasionally requiring large foreign payments, depends upon the habitual maintenance by the Bank of a very large amount of treasure.

5377. Mr. *Herries*.] That average sum which you consider it to be proper to maintain as a reserve of gold, is with the view, I apprehend, to give assurance that the convertibility of the note is perfectly secured?—I would say, not only the convertibility of the note, but the general maintenance of cash payments; I do not admit the propriety of considering the question of convertibility, as confined to notes; a great deal of confusion of reasoning seems to me to have arisen from looking upon the notes as a distinct part of the liabilities of the Bank of England or of the banks of issue; it never was so understood before. The state of the currency down to the year 1797, and from 1819 to 1844, never recognized any distinction in favour of the note circulation, and I never could understand why the notes should be protected more than dividend warrants. It appears to me that there is not the shadow of a ground in argument for the distinction.

5378. The payment of all demands upon the Bank in cash should be protected?—Precisely.

5379. Supposing it were laid down as a rule and publicly acknowledged, that the average reserve of gold in the Bank should not be less than you assume, 12,000,000*l.*, would not that have the effect of giving alarm to the public mind when it was below that?—I would not say that that should be a regulation; I am quite sure that you must leave it to the discretion of some man or some body of men; no doubt they are fallible in their judgment, and the Bank directors have sometimes signally failed in their judgment.

5380. Still, as you suggest the possibility of making that a subject of bargain with the public, and that there should be the abatement of some part of the contribution that the Bank might be made to give to the public by reason of their being understood to maintain a reserve of 12,000,000*l.*, it would amount to a public

public recognition of that amount of reserve being maintained?—There could not be alarm in such a case, because I would not prescribe that as a matter of regulation which should not be departed from under certain circumstances; it should be more in the nature of an understanding which should come into question at the renewal of the charter of the Bank for which they would be responsible, not as a matter of regulation, for it is as a matter of regulation that I object to the present Act; besides, all the argument which you are using about the difficulty of preserving the average amount of treasure in the undivided state of the Bank, applies equally to the question of maintaining an adequate average amount of reserve in the banking department; it does not appear to me that there is more difficulty in the one case than in the other; in the undivided state they would have a very large margin, but in the divided state they have a margin liable to be so reduced as naturally to create alarm.

5381. *Chairman.*] There is one provision of the Act of 1844 upon which I have not asked you any question; I mean the provision of the Act which limits the issues of the private banks of issue; will you give the Committee your opinion upon that?—My opinion is, that that provision is simply a source of inconvenience without the smallest possible advantage; it all proceeds upon an original and great mistake, and that is looking to the circulation as an important part of the business of a Bank or of accommodation to the public; now the circulation is a very small and insignificant part of the whole amount of the engagements of a bank, because in the instances which have appeared by the disclosures consequent upon the failures of some of the banks, they have had liabilities to a very considerable amount, while their circulation has only been something like 7 or 8 per cent. of the total of their obligations, and yet you have all this elaborate machinery, and this vexatious and restrictive system applied to that which, whether as regards the Bank of England or the country banks, is by far the smallest matter of consideration.

5382. Do you think that that provision has produced any inconvenience to the public?—To the public, perhaps not; I cannot exactly state, for I am not very minutely acquainted with the working of the country banks; but from all I hear it has been very inconvenient to them, and I see no advantage whatever from it. The inconvenience to the public is only by its operation on the Bank of England in its separate state, namely, from country banks requiring an additional amount either of Bank of England notes or of bullion, when the circumstances of the neighbourhood require periodical expansions or contractions from peculiar circumstances; in that respect, I have no doubt that it has operated very inconveniently to the public; but I think it is wholly inconvenient without the smallest possible advantage. The regulation has proceeded upon an entirely false assumption, and that is, that the banks have the power of extending their circulation, *ad libitum*, or according to their convenience or interest. Now, I verily believe, and I think the proof is in evidence, both historically and in any other mode of argument, that the banks have not the power of increasing their circulation. I do not believe they can increase their circulation by 100 l. at any given time; it is entirely limited to the local demands, and chiefly for the retail trade.

5383. *Mr. Thackeray.*] Have not the failures of the country banks of issue been very much diminished since the passing of the Act of 1844; for instance, in all the commercial embarrassments of 1847, were not the failures of the country banks extremely limited in number and amount as compared with the failures of country banks in 1825?—There is no question of that; but they have been much more numerous since 1844 than between 1825 and 1844; in the year 1825 there is no question but that the 1 l. note circulation added very greatly to the insecurity of the banks, and it was through the medium of the small notes that the greater part of the runs upon them took place; and, besides, the year 1825 has been a beacon constantly held out to the banks since. I have no idea that the restriction upon the circulation produced the slightest offset. I do not see why or how it should. During the whole speculative mania in shares in 1845, it had not the slightest effect upon the amount of circulation of the Bank of England, or of the country banks. Persons would say that the country banks were limited by the Act, but it did not seem to produce any direct effect upon the circulation of the Irish or Scotch banks, which were not so limited; and all of that vast speculation that we had, could take place under the restriction. I cannot imagine anybody can stretch his power of conception so far as to suppose that any speculations could go further than the speculations in railways went in 1844 and 1845.

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5384. *Chairman.*] Are you in favour of what is called free trade in banking?—I consider free trade in banking to be a misnomer, for banking is not a trade; in all invitations to public meetings in the city of London, the expression used, is "merchants, bankers, and traders;" bankers are not considered merchants or traders, therefore, in strictness, it is an improper term to apply to it, but I suppose by free trade in banking, is meant that there should be an unlimited competition in banks, whether of issue or of deposit; now, I have always admitted that banks ought to be subject to regulations upon grounds of police, and I conceive you cannot justify any regulation of banks that does not come under the head of police or revenue. The Act of 1844, proceeds upon the very efficacious notion of preventing speculations and over-trading, and professes to have other objects in view, which are totally unintelligible, and quite beside what it is the province of Government to attempt to regulate. But I conceive that you must admit the principle of the regulation of banks, because if you do not, there is no reason for preventing the issue and circulation of one shilling notes; if once you admit the principle, it is merely a question of quantum. I am one of those, who, on the whole, approved of the suppression of the one-pound circulation in England; I do not admit the doctrine of what is called free trade in banking.

5385. *Mr. Spooner.*] You say that by way of police there should be regulations of banking, will you explain that?—I mean that they should prevent such issues of banks as were liable to become instruments of fraud; for instance, sixpenny and shilling notes; with such abuses as those, to which the small note circulation in America leads.

5386. *Chairman.*] Do you consider that the existence of the Bank of England is an advantage to the public?—Unquestionably; its existence upon its present scale arises from the circumstance of its being the Government Bank; but taking it all in all, I should say that it is an institution which, if it did not exist, and you were constructing a system *de novo*, it would be desirable to have.

5387. What advantages do you consider to flow from the existence of the Bank of England?—The principal one is precisely that which was taken away from it by the Act of 1844, viz., that upon a general failure of credit there is this vast establishment, with its enormous capital and its unquestioned credit, which can come in and fill the vacuum created by such a general derangement of credit as might otherwise occasion a total suspension of business.

5388. Do you conceive that during the late difficulties the Bank of England has been of any benefit in assisting public credit?—It has been a benefit, in spite of the system; it has been of no more benefit till the letter of suspension came than any private bank, except taking into consideration its magnitude. I think it has been a very great mistake, that of causing the Bank of England to cease to be a bank of issue; I think there never was a greater blunder made; the whole of the commercial concerns of the country for 150 years were moulded upon the elasticity of the credit of the Bank of England, and you have now taken that away, and have introduced this separation of departments, reducing the Bank of England, barring only the difference of its capital, to the same functions as those of Jones, Lloyd and Company, or Glyn and Company, or Smith, Payne and Company; now, that I conceive to be a most egregious error.

5389. *Mr. Chancellor of the Exchequer.*] What were the benefits which the Bank did render to the commerce of the country in the autumn of 1847?—It certainly rendered assistance beyond that which any other bankers could render, seeing how vast its credit was, but the exercise of that credit was restrained and very inconveniently limited by the absence of its power of issue.

5390. *Chairman.*] Have you any further observation to make upon the Act of 1844?—Perhaps you will allow me to observe, with reference to the former part of my examination, that some of the questions tended to the supposition that a drain could not be stopped without recourse to very violent measures, such as the Bank of England resorted to in April and October of last year; that is, the raising the rate of interest to an enormous height, and in some cases otherwise restricting accommodation. Now, I think it right to state, as bearing upon that question, the analogous circumstances of the bank of France. The bank of France had, on the 25th of March 1845, an amount of coin and bullion of 266,000,000 francs, rather more than 10,000,000*l.* sterling, and its circulation was 256,000,000 francs; by December 1845, the bullion had been reduced to 187,000,000 francs and odd, and its circulation was increased to 263,500,000 francs; on the 26th of December 1846, the

the bullion was reduced to 72,000,000 francs from 268,000,000 francs; that is, from 10,000,000 *l.* to 3,000,000 *l.*, making a loss of treasure, as near as might be, the same as that experienced by the Bank of England; its circulation at the time was 258,000,000 francs, being as large as it had been when its treasure was 268,000,000 francs; it was as large when their bullion was reduced to 3,000,000 *l.* as it had been when the treasure was 10,000,000 *l.* The bank of France raised their rate of interest only from 4 per cent. to 5 per cent.; 5 per cent. was continued very nearly to the close of the drain upon it. Now, the situation of the bank of France was certainly much more perilous than that of the Bank of England, inasmuch as they have much fewer resources in their trade to pay a foreign debt, and their importations were on a scale of at least a proportionate magnitude to those of this country. I think this is quite decisive against the doctrine of the interminable nature of drains. I beg leave here to present the following statement of the circulation of the bank of France, and its stock of bullion, in the four quarters ending March 1847:—

Quarter ended		Circulation.		Gold and Bullion.	
Quarter ended	25 March - 1845	-	256,000,000	-	268,000,000
	26 December 1845	-	269,498,000	-	187,334,000
	26 December 1846	-	259,459,000	-	72,734,792
	25 March - 1847	-	249,404,000	-	79,535,000

5391. *Mr. Herries.*] You think the bank of France acted prudently and wisely?—I have nothing to do with the question of the conduct of the bank of France, except that I state it as a matter of fact; whether they did right or not, I cannot say; there was a great deal of remark made upon their apparent inertness in not raising the rate; but if we may reason upon the events that have occurred, which is much more satisfactory than reasoning upon hypothetical grounds, we find that the drain was stopped, and there was a restoration of the influx, though it was slow, under the circumstances.

5392. In all cases, the prudent mode of management must depend upon the circumstances out of which the drain arises?—Yes, most unquestionably; you may try numberless experiments, and you must at last come to that conclusion; there is no system of banking that must not depend upon prudent management.

5393. Is it your opinion therefore, that a large discretion should be left to those who have the management of such important institutions?—Unquestionably; the truth is, that with a diminished resource you have just the same or greater tendency to violent fluctuations in the rate of interest, and in the state of commercial credit under the present system, as you had under the old system; it was only discovered lately that the Bank circulation was all that was in question; when those who have succeeded in producing the present system, talked of the mismanagement of the Bank, they made a most extraordinary mistake; their opinion upon the conduct of the Bank related entirely to the circulation, and the mismanagement of the Bank was the mismanagement of the circulation; in the whole of my evidence, in the year 1840, I could not get the Committee to admit or to see that it was not a question of the management of the circulation, but that it was a question of the management of the securities; that the securities might be very much diminished or enlarged without a corresponding effect upon the circulation, and that the circulation was a consequence and not a cause.

5394. What do you understand by circulation in respect of bank notes; do you understand circulation to be that which is in the hands of the public, and out of the Bank, or do you consider it to consist of all that is in the hands of the public, and in the Bank also?—Nobody till 1844 imagined any possible amount of its own notes that was in a bank of issue, could be considered as part of the circulation; the whole of the arguments against the management of the Bank, and therefore for the necessity of restraining them by a control over the circulation, was, that it was the management of the circulation which was the principal consideration, and that the banking department might be left to the discretion of the directors, if the circulation was properly regulated by this self-adjusting system. That party say, that what they call the circulation under the new nomenclature they have adopted, conforms to the increase or diminution of it to the amount of bullion in the Bank; now that is a self-evident proposition; it is not a banking operation, the issue department of the Bank being simply an office for the exchange of gold against notes and of notes against gold: there never was such confusion of reasoning as that which would suppose that the circu-

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lation *in posse* is part of that circulation which acts in any way upon prices; but this circulation, to adopt the new language which has been adopted, is really a matter of no consideration beyond the mere fact, that if you say the circulation is diminished, it is as much as to say the bullion in the Bank of England is diminished. I believe that in all the pamphlets, in all the evidences, and in all the speeches in which the question of banking has been discussed, the circulation has always been confined to the notes that were in the hands of the public. Would you try the circulation of the Bank of Ireland by any other test or criterion, than that of the amount of its notes in the hands of the public? Take Mr. Loyd's and Mr. Norman's illustrations, and all the language of the promoters of the Act of 1844, and you will see that all their reference was to the circulation in the hands of the public. I believe there is hardly a single exception; Mr. Loyd did, indeed, in his evidence in 1840, state hypothetically, that supposing the Bank to be separated, you would have to take into consideration what notes were in their till, as he called it; that is simply because it then ceased to be a bank of issue; but in all the discussions and in all the attempts to prove the connexion between the circulation and prices, it was invariably the circulation in the hands of the public that was considered as the important matter to ascertain. The ground on which it was contended by that party that the Bank had acted properly in 1832, and so preserved us from a crisis, was, that the circulation had been contracted, as it was called. Now the fact was, that a demand, from peculiar circumstances, happened to fall upon the bank note circulation; but what I mean to observe is, that that was the important point, and that the circulation in the hands of the public, was the only kind of circulation then in contemplation, as acting upon prices, upon the state of trade and upon the state of credit.

5395. It was assumed that the circulation governed prices, and that prices would, as naturally must be the case, govern the exchanges; and that by the Bank contracting or expanding the circulation, the Bank had the power of affecting the foreign exchanges?—Yes.

5396. Is that your opinion?—It is my opinion that such was the assumption, and you cannot take a publication or a speech of the promoters of the new system which did not consider the circulation as having the influence which is stated in the question.

5397. Is it your opinion, and have you found it to be historically true, that the fluctuations of the circulation have generally corresponded with the fluctuations of prices, so as to justify that belief?—It is perfectly untrue, historically; I can hardly say that it is strictly the reverse of the truth, because the fluctuation has not been in any strict relation to the circulation, but unquestionably it is susceptible of the most distinct historical proof, that there has been no such coincidence as to justify the inference of cause and effect; in nearly all cases of important alterations of prices, the alteration in price has preceded the alteration in the amount of circulation, and, therefore, you cannot connect them in the way supposed; and I should say, moreover, that it is not only historically certain that prices have not varied in conformity with the variations in the amount of circulation, but that it is susceptible of proof by reasoning that it should not and would not be so.

5398. Mr. Chancellor of the Exchequer.] Do you remember the evidence of Mr. Horsley Palmer, given in the year 1840, on the question of whether the deposits of the Bank of England could be considered as part of the circulation?—Yes, that was a question of deposits; that is a totally different question.

5399. Is not that pretty nearly the same thing as notes within the vaults of the Bank?—No, it is totally distinct, and it has nothing to do with the question; the fact is, that that part of the question related only to this, whether there was any distinction between the notes in the hands of the public and the notes which had been deposited in the Bank by bankers; and whether that payment in of the notes made any essential difference in the effects upon prices or upon anything else; according to Mr. Loyd's and Mr. Norman's evidence, bank notes so lodged with the Bank of England, had not the character of general efficiency, or the properties of notes that were in the hands of the public; that was the gist of the argument.

5400. Do you remember the answer given by Mr. Horsley Palmer, on the 17th June 1840, to question 1553; "There would always be a certain portion of the deposits of the Bank of England which may be fairly considered as appertaining to the circulation?"—Yes, I am perfectly aware of that, and I should go further and say, that the argument was much more enlarged upon, and much more illustrated,

illustrated, and much more influence ascribed to it in the evidence of Mr. Richard Page; he contended, and that was the point upon which I was likewise examined, that the deposits generally were a part of the money administered by the Bank of England; therefore, I do not mean at all to say, that there were not those particular opinions expressed, but I contend that the whole of the currency theory, if I may so term it, proceeded upon the amount of circulation that was in the hands of the public.

5401. Do you remember this question being put, and this answer being given, in Mr. Norman's evidence on the 23d of June 1840; it is question 1697: "Would a return of the circulation of the Bank of England and of the English, Scotch and Irish banks, added to the coined money in this country, include, in your opinion, the whole of the circulation, or currency, or money of this country?"—Yes, I conceive it would include the whole, except what may be considered as the reserve of the banking department of the Bank of England, that if the currency were differently arranged would appear as a portion of the circulation?—Yes, that is a hypothetical part of the case just as Mr. Lloyd's answer to question 2656 is, but the Committee will see what we are reduced to by the supposition; there was no such thing then existing; it was a hypothetical state of things; all I contend for is, that previously to 1844 all the pamphlets and speeches which called in question the conduct of the Bank of England, and argued for the disjunction of the department of issue from the general banking department of the Bank of England, proceeded exclusively in their reasonings and illustrations upon the circulation that was in the hands of the public.

5402. Do not those two answers, one of Mr. Hersley Palmer and the other of Mr. Norman, show that both those gentlemen conceived that something must be included in the circulation of the country beyond the notes out of the walls of the Bank?—That might be their opinion; but what I contend for is that, according to the declared opinions of those who reasoned in pursuance of the currency theory, the circulation in the hands of the public operated upon prices, and upon credit, and upon the state of trade; that stands upon the most indubitable evidence; and I should say, that I do not see that Mr. Palmer's opinion or Mr. Norman's, which have been quoted, in the slightest degree varies the position which I take.

5403. *Chairman.* Whatever were the opinions expressed by those gentlemen, in pamphlets, and facts stated in those pamphlets, the circulation was considered always to be the circulation of notes in the hands of the public?—Invariably.

5404. And the deductions drawn in those pamphlets were deductions drawn from the fluctuations of the notes in the hands of the public?—Unquestionably.

5405. *Mr. Herries.* As you are of opinion that the circulation in either case is not that which affects the prices of commodities, and, through them, the exchanges, it is not very material to determine whether one more than the other, or both together, are necessary to produce the effect which you say is not produced at all by that cause?—Practically, that is perfectly true. I only protest against the opinion which is every now and then expressed, that the Act has performed the purposes for which it was intended, inasmuch as the circulation has varied with the amount of bullion, that I conceive to be merely a shifting of the argument.

5406. *Mr. Alderman Thompson.* You have stated that you considered that the Bank directors made a mistake in the early part of the year 1847 in not raising their rate of interest?—I think they should have raised their rate of interest sooner than they did.

5407. You will recollect, no doubt, that in the spring of the year 1847 an alarm, I may say an almost universal alarm, prevailed upon the subject of an adequate supply of food for the people; if the Bank had raised the rate of interest materially at that period, do you or do you not think that that would have had an effect upon the operations of persons who were disposed to enter into the trade of the importation of foreign corn and provisions into this country?—I do not think that a moderate rise in the rate of interest would have produced that effect; if the Bank had taken in December 1846 or January 1847 the measures which they took in April 1847, I think it would very much have militated with sending out orders for the purchase of food; but at the same time I have to repeat the fact, which I have before noticed in the course of my examination, that there was so strong an expectation of an enormous rise of prices, from the great want of food in this country as well as on the continent of Europe, during the period of the greatest pressure, namely in April and May 1847, that the price of wheat actually

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advanced fully 20s. a quarter, therefore I do not think that any moderate rise in the rate of interest would have interfered with the orders that were sent out for the purchase of food abroad.

5408. Looking to the fact that the Bank had in their coffers in the beginning of January nearly 15,000,000*l.* of bullion, and that the foreign exchanges were all rather inclining in favour of this country, and looking to the state of the supply of provisions in this country, do you not think that if the Bank had raised their rate of interest at that time to 5 per cent. it would have created some alarm and have checked the importation consequent upon the apprehended scarcity of food?—I confess I have considerable doubt upon that point; a great many of the orders were such as would not have involved an immediate outlay of capital by the parties sending the orders, and they all relied more or less upon credit; the credit would not have been affected by a rise in the rate of interest to 5 per cent.; it might have created a little more caution, but I do not think it would have had any material influence.

5409. If the Bank directors were actuated by the feeling that it would have checked the importation, you think they were mistaken?—I think so; if they had moderately raised the rate of interest, I do not think it would have had that effect; if they had taken violent measures they would have been right in the opinion that that would have limited the quantity of importation, but a rise in the rate of interest to 5 per cent. I do not think would have had that effect.

5410. Do you approve of the weekly publications of the Bank accounts?—I do not see any adequate advantage derived from them; at the same time there would be a great outcry against making the publication less frequent; I should observe, as my own opinion, from both experience and observation, that the publication has not the beneficial influence that was ascribed to it; I do not conceive that any merchant or manufacturer can be guided at all in his operations by that publication; I do not know whether it is any guide in their operations to persons in the stock or money market, but I have no idea that it is of the slightest benefit to merchants.

5411. Do you think the fact of the publication of the reserve of the Bank in the months of September and October last, which showed a very small reserve, increased the alarm and panic which existed in the commercial world at that time?—Very considerably.

5412. Then does it not follow that if that publication had not taken place the panic would have been less severe than it was?—Certainly, I think that does follow as a consequence.

5413. Is there not this inconvenience in the accounts now published, that it is impossible for the Bank to give to the public full and sufficient information with reference to their reserve, so as to be a proper guide or direction to the public in their commercial operations; for instance, there may be but 3,500,000*l.* published as the amount of the reserve, whereas, in the course of the next few days, the Bank may be in the receipt of 1,500,000*l.* more upon what is termed temporary loans, and the public not knowing that fact, and the Bank hardly having practical means of making that fact known, do not you consider that so imperfect an account as that must be rather mischievous than beneficial to the public?—I think so; but still it was assumed in the question that those publications were a guide to commercial operations; I do not believe that they are a guide, and I do not see how they should be.

5414. Was not that the intention?—Yes, but I do not know how they can be; a merchant, for instance, having to import corn from the Black Sea, or corn, hemp, flax, tallow or timber from the Baltic, gives his orders in October or November, and what guide is the actual state of the Bank treasury at that time to him; if it is very large, and that should give him confidence, he would be very much mistaken, because we know that the case would be very different at the time that the corn came to be paid for; and the same remark still more applies to the manufacturer; he ships goods to the East Indies or to China, and what guide are those publications to him as to what the state of credit will be at the time he is to receive payment for the goods? None, whatever. And whenever I have met with any merchants who talked of the state of the Bank circulation as any guide to them, I was quite sure that they were taking a very wrong view of their proper sphere; they have to consider the prospects of supply and demand, and looking to those, and trading within their capital, they might very fairly neglect any reference to the publication by the Bank.

5415. In

5415. In point of fact, are we to understand that you do not attach much value to the publications of the amount of bullion in the Bank?—I attach value to them as a guide by which to judge of the general propriety of the conduct of the Bank in its management, but not at all as a guide to commercial operations; I am pretty sure that, except as to parties on the money market, there is no advantage whatever derived from them; and whether it is an advantage or not to them, I cannot say.

5416. Mr. Cayley.] Would quarterly publications answer all the purpose?—In my opinion, perfectly.

5417. Mr. Alderman Thompson.] To return again to the subject of the rate of interest; have you heard it made a matter of complaint against the Bank, that since the passing of the Act of 1844, they have come in competition with private bankers and discount brokers, in the rate at which they discounted bills?—I have heard it complained of, and I think they have acted in a way that is inconvenient to the public; but I should not say that it is because they come into competition with these parties, or because they injure those parties, which might be the inference from the term "competition;" but I believe the attempts on the part of the Bank, to follow all the variations of the rate of interest in the money market, are exceedingly inconvenient to the public.

5418. Is it not a matter of fact, that the Bank rate is generally above the market rate, rather than below it?—It is generally above the market rate, but it is very difficult to speak with distinctness upon that, because it is connected with so many operations; I have only to repeat what I said in one of my previous answers, that I conceived it was a great convenience to merchants and bankers, and to the whole commercial community, that the rate of discount charged by the Bank should not be subject to frequent variations; I am quite aware of all the arguments which are used on the other side; it is said, why should not the Bank get the full value of their funds? I am not prepared to go into that discussion, but I am quite sure that their having a uniform rate of interest, or as uniform as it can be, except under extraordinary circumstances, would be greatly to the convenience of the public.

5419. You are aware, that the reserve in what is termed the banking department of the Bank of England on the 23d of October, was reduced to a little more than 1,500,000 £; if the letter of the 25th of October had not been issued, what consequences do you think would have followed?—It is very difficult to say what might have been the consequence; but my opinion is, judging from all I heard and saw of what was going forward, and judging likewise from what, under circumstances in some degree analogous, has occurred, that you would have had an intensity of pressure which would have been equal to that of the week following the failure of Fole & Company, in 1825, namely, the week in December from the 12th to the 19th, and during that time there was all but a total cessation of business.

5420. Supposing that on the Monday morning the Bank directors had said this to all persons applying for discount, "Looking to the position of the reserve of the Bank, and looking to the deposits we have payable on demand, we think it not safe to discount to bankers, or brokers or merchants," what would have been the effect upon the commercial community at large?—The effect would have been a total cessation of business; you have hardly any guide as to what might not have been the intensity of the pressure and the total absence of the power of transacting any business.

5421. In point of fact, I believe, for several days, if not for some weeks, the Bank of England was the only establishment that was discounting?—I believe it was.

5422. Then do you think, upon the whole, that the best remedy for protecting the public against crises like that which it has experienced in the past year, would be the entire repeal of the Act of 1844?—Most undoubtedly.

5423. Assuming that to be the case, are you prepared to recommend that the same power of discretion that was vested in the directors of the Bank antecedently to the Act of 1844, should be continued to them, or would you propose any modification in reference to the appointment of those who should have the management of the Bank?—That has been a matter of frequent conversation among those whom I have been in the habit of seeing, and therefore it has been a point to which I have turned my attention; but I do not see any mode of having

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the Bank of England managed without leaving it to the discretion of a body like that of the present directors.

5424. Then, in point of fact, your opinion is opposed to having the Governor of the Bank appointed by the Government?—Decidedly; independently of the objection which might be urged, upon the obvious grounds that it might become a matter of mere patronage; in the first place, one of two things would happen, either the directors would take no active part in the management, but would leave the whole management to the Governor; or the directors, as I have heard it said they do in the case of the bank of France, would take the whole of the management, and the Governor would have little more than a sinecure; one or the other would be the consequence; besides, a governor so appointed would suppose the means on the part of those who appointed him to judge of his qualifications. I have no conception that there is anybody competent to judge sufficiently of the qualification of a party for such an office, especially as afterwards, unless in the case of clear incompetence, you could not change him; at present you have that advantage; if now and then you have a governor not fully equal to the position, his inefficiency or incompetence is remedied in some degree by the Deputy-governor, who may be perfectly competent, and at all events you have the prospect of soon changing him.

5425. Then, may the Committee infer that your opinion is, that the Bank is most likely to be best managed by having its directors elected from the leading merchants, traders and manufacturers of London, as is now the custom?—Yes; I see no reason for a change; but I should observe, as I have been asked with respect to the constitution of the Bank, that there is one great defect in it, in my opinion, and that is, the great change which annually occurs among the directors: eight go out every year, and remain out for a year; that produces very great irregularity in the judgment of the Bank and in their general views. In April of each year you have eight persons come in who have been out of the direction for a whole year; that forms so large a proportion to the competent and experienced persons, of persons not having a clue to the operations of the year preceding, as, in my opinion, to be extremely inconvenient.

5426. Are you aware that that regulation forms a part of the charter, and is not a bye-law of the corporation?—So I understand, and I am surprised at it; I confess that it is so very great a defect that I think it ought to be remedied by Parliament; it is a very great objection in my opinion, from all I have seen.

5427. You have stated your objection to the country bankers being limited by Act of Parliament in their amount of circulation; has this fact come to your knowledge or not, that the consequence of that Act has been this, that where a Bank has been established, and the trade and manufactures of the district have increased, the country bank has had recourse to an evasion of the Act by the issue of checks instead of notes to as low an amount as 5*l*.?—No, I was not aware of that; but it is clear that the Act is open to that, and that likewise opens the question about small bills of exchange. I do not consider those in the light of an evasion; I think it is a very legitimate exercise of the power of the banks which is left them by law; if the law chooses to interfere with that, well and good; it will only be adding to the inconvenience, but as a matter of convenience and propriety, I see not the slightest objection to it.

5428. You would say that the probability was that such a system as I have referred to is adopted?—I think, very likely; I am quite sure it ought to be.

5429. Mr. Spooner.] Does the Committee understand you rightly to say that it is your opinion that the amount of circulation does not in any way affect the prices of commodities and labour?—Most distinctly.

5430. Do the prices of commodities or of labour in this country at all affect the exchanges?—Yes; if from a scarcity or the apprehension of a scarcity the prices rise to any considerable extent they naturally will induce larger importations than usual.

5431. Supposing the cost of articles to be greater in this country than abroad, does not that lead to the importation of foreign goods, and check the exportation of English goods?—Not permanently.

5432. It does so at first?—You must state the case, because I apprehend there can be no such thing generally.

5433. Will you explain why there can be no such thing generally, inasmuch as prices are higher here than abroad?—I believe the fact to be that they are not higher here than abroad.

5434. Then,

5434. Then, how comes it that we have lost a great many of the foreign markets for our manufactures?—We must take the fact that our exports have so far exceeded our imports during four or five years preceding 1846, that foreign countries had no means of paying us but with an unusually large quantity of the precious metals.

5435. In what years do you state that to have been the case?—From 1842 to 1847; the increase of the precious metals within that time has been fully 10,000,000*l*.

5436. But when did the goods, the export of which led to the return of that amount of the precious metals, go out?—You must excuse me from entering into those points; I am not aware of those details.

5437. You are aware that there was very great distress in the manufacturing districts in the years 1840, 1841 and 1842?—Yes.

5438. Is it your opinion that that great distress in the manufacturing districts was mainly to be attributed to the very low price of goods; was that the proximate cause?—It might or might not be; it would depend upon a great number of other circumstances; it would depend upon whether the manufacturers having laid in the raw materials at a higher price than their competitors, placed them at a disadvantage, as compared with those who had bought the raw materials at a lower price; in all cases of that kind there may be distress, but it has nothing to do in my opinion with the point immediately under consideration.

5439. What I wish to ascertain from you is this, whether in the years 1840, 1841 and 1842, there was not a very large export of our manufactured goods occasioned by the excessively low price to which we had in those years been reduced in this country?—Most likely it was so.

5440. You stated the fact that there was a great export of our manufactures in those three years?—No; I have not looked at it to see.

5441. You stated that the balance of trade was in favour of this country?—I stated from 1842 to 1847 there was a great influx of gold.

5442. Then when did the goods go out that created that return of gold?—I am not sufficiently acquainted with the state of the manufacturing trade to say.

5443. From your general knowledge of merchandize, would you not say that gold would not come in immediately?—It is very possible that it was a consequence of those low prices that the goods went out.

5444. And that brought back a great quantity of gold?—Yes, upon that supposition.

5445. Can you give me any other supposition?—No; I confess I am not acquainted with the details sufficiently; I do not undertake to explain the point; I state the general fact.

5446. The fact upon which you form your opinion that our goods are not dearer in this country than in foreign countries, is the immense amount of bullion that came in, in the years 1843, 1844 and 1845?—I am not aware that I can now go into the question of our general prices, as compared with the prices abroad.

5447. But that is the only reason you have for supposing that the prices of our goods are not higher than the prices of goods abroad, that in those three years there was a very large import of bullion?—No, I contend that that cannot be so in the long run, because we should in that case be exhausted, in the long run, of the precious metals.

5448. You have stated that when there is a great demand for gold for the foreign exchanges, the way to check that is by raising the rate of interest in this country?—Yes, sufficiently high to meet it.

5449. If the amount of circulation does not affect prices, but if the prices do affect the circulation, will you explain how raising the rate of interest affects the exchanges without affecting the prices of our commodities?—It affects the exchanges through the medium of the relative rate of interest here as compared with the rate of interest in foreign countries; it induces a diminished extent of credit given by this country, and it induces greater credit given by foreign merchants to those in this country; it diminishes the disposition of persons in this country to invest capital abroad, and it increases the inducement to parties abroad to invest their money in the securities of this country.

T. Toole, Esq.
12 May 1848.

5450. Then your opinion is, that the raising of the rate of interest only acts upon the pecuniary exchanges, and not at all upon the export of our goods?—In a very trifling degree, if at all. In the case of the attempt of the Bank to counteract the tendency to a fall in the exchanges, the operation of the Bank upon the state of credit may be so violent as to force an export of commodities, and that has taken place, I believe, in 1847; but that is not an ordinary case, that is a very extraordinary occurrence; it is not the case in the general state of the circulation; I never, since 1825, recollect anything approaching to the effect produced upon the markets for commodities, by the operation of the Bank in 1847.

5451. Are you aware that at the time the Bank raised its rate of interest, under the letter of the Government, a great many orders for food in Lancashire, and in the hardware districts of Warwickshire and Staffordshire, a great many orders for goods were declined to be accepted, because the rate of interest which the manufacturer had to pay for discounting his bills more than absorbed all his profit?—I have understood that such was the case, and I do not see any improbability in the fact.

5452. Would not that high rate of interest be, in such cases, the cause of throwing out of employment a good many able-bodied men?—Very possibly; I am ready to admit that from the violence of that operation upon credit there would be a tendency to throw workmen out of employment, and I believe it was the fact that they were thrown out of employment.

5453. Can you at all account for the fact of so many people having been thrown out of employment last October, and who have not yet got into employment again?—No, I do not profess to account for that.

5454. You cannot assign any reason for it?—No, not without entering into a lengthened statement, which would perhaps require a farther explanation; I could not explain to the Committee my views upon that subject off-hand.

5455. You were in much more active habits of business in 1825, than you are now in?—Yes, I was in 1825 actively engaged in business.

5456. Do you recollect the state in which manufacturing and commercial interests were at that time?—Yes, they were in a very prostrate condition at that time.

5457. Have you any means of stating what proportion the distress in 1825 bore to the distress in 1847?—It is very difficult to say; the distress of 1825 bore more distinctly upon the banking part of the community; on the recent occasion, in 1847, the pressure bore much more heavily upon the commercial interest than upon the banking interest.

5458. Can you form any estimate of what the difference of the value of all descriptions of property in this country was between the 1st of October 1846 and the 1st of October 1847?—It was something very large indeed; I have seen various computations, and I have seen likewise statements, which I suppose the Committee have before them, of the great difference in the price of the public funds, and railway, dock and canal shares, and there has also been a very great fall in the price of corn.

5459. What was the cause of that?—The prodigious contraction of credit.

5460. Was not that contraction of credit produced by the contraction of the circulation to a great degree?—No, there was a very small contraction of the circulation in the sense of the term "circulation" which I understand, that is bank notes in the hands of the public; the diminution in the circulation, I consider, is the consequence of that fall in the value of commodities.

5461. What caused the very great stagnation of credit?—That is a very large question if you go into the whole of it; I have already stated in general terms, that the contraction of banking accommodation, arising from various causes, being aggravated by the Act of 1844, did produce a vast discredit and a depreciation of prices; in many descriptions of which, however, there would have been a fall totally independent of those banking operations; I take it, that, for instance, a great part of the fall in the value of railroad stock has arisen from the extended lines, and in some cases from the diminished receipts, or the apprehension of them; but the very circumstance of a fall in the price of the public funds necessarily entailed a considerable fall in railway, and all other descriptions of property of that sort, as they were guided by the same considerations, viz. the rate of interest that they paid.

4562. I merely

5462. I merely wish to ascertain from you what, in your opinion, was the cause of that great stagnation of credit, if it was not the insufficiency of the circulation?—It was the insufficient facility of credit.

5463. What do you mean by insufficient facility of credit?—Many persons possessing stock or shares, or produce, but principally stock or shares, were prevented from holding them; in many cases they were obliged to make use of them to supply the inability they were under to raise the capital that they expected to be able to borrow in payment of their engagements.

5464. There was no difficulty of borrowing at a certain time in 1846, but very shortly after there was very great difficulty in borrowing; will you state what made that great and sudden alteration?—I have already stated that that was caused by the apprehension of the effects of the very large importations that were necessary; and it was likewise the effect of the great absorption of capital in the railways that were in the course of operation.

5465. Do you think that if the Act of 1844 had not been in operation, the Bank of England would have been able to give more extensive credit, and have prevented the alarm which produced the great fall of prices?—Yes, that is my opinion.

5466. It was the contraction of credit from the limit under which the Bank was put by the Act of 1844, which created that loss of credit, and which produced all that want of confidence?—That is my opinion.

5467. Can you give any reason for the very sudden and rapid rise of prices which took place in May and June of 1847?—The question, I presume, refers to the great rise in the prices of corn in April and May 1847; it arose, in a great measure, from the advices received from France and Belgium. I was shown letters from Dunkirk, from Havre, from Antwerp and from various places, which stated the enormous advance that had occurred, and expressed the apprehension of the writers that the prices would be still higher. I remember, particularly, in April 1847, seeing letters which stated the prices of wheat above 100s., and actually when the prices of wheat here were something like 90s., the holders were so sanguine that they preferred shipping it to the continent to selling it at 90s. or 92s. here.

5468. Are you aware that the Government were very large buyers of corn at the time?—I did not enter very much into that question; I heard that stated, but the fluctuations in the circumstances of the corn trade did not come within my special knowledge.

5469. Are you aware of the very sudden fall in price which took place, which occasioned the failure of a good many houses in the corn trade?—Yes, I am aware of that.

5470. Can you account for that?—Yes, it is not difficult to account for that; the importations were, as it turned out, beyond the occasion; an immense quantity arrived in May, and the change from rather unfavourable weather in the early part of the spring to very favourable weather at the latter part of May, added to the depressing effect of a very large supply, there being no longer any apprehension that there was not sufficient corn to last till the coming harvest.

5471. Are you aware whether any great sales were at that time made by the Government of corn which they had before purchased?—I do not know; I never heard of that.

5472. Mr. Glyn.] It has been stated by a high authority, viz., the Governor of the Bank of England, that he considered it would not have been a difficult thing to have sold 1,000,000*l.* of stock in the week after the 25th of October 1847, supposing the letter of the Government had not come; do you think, from your experience, that that would have been possible?—I conceive that it would have been perfectly impossible, taking the word "impossible" to signify, with the exception of such reduction in the price as could not be contemplated, a reduction so outrageous as to put the thing entirely out of the question; did the Governor of the Bank state that opinion absolutely?

5473. He stated the opinion as being founded on the opinion of the Bank broker expressed to him?—I should not consider that the opinion of a broker would add any weight to the opinion which the Governor himself might entertain; I do not consider stock-brokers as of any authority for what the price is likely to be on the following day; all that they can tell you is, whether the market, at the time, is a weak or strong market, but beyond that their opinion is not of any value whatever.

T. Fiske, Esq.

12 May 1848.

5474. Supposing it had been possible to effect such a sale, would not the natural effect have been to draw the money out of the deposits of the Bank of England, that being the only channel which was at all free at that time?—Most unquestionably that would have been the effect; I do not see how it could have been otherwise; I think it would be desirable to ascertain from the parties who express a clear opinion that they could have sold such an amount of stock, whether they are at all aware, from their own experience, or from looking into the history of that time, what was the state of the money market, and the power of the sale of stock in a particular week in 1825; I thought a question to that effect might be asked me, and I will, with the permission of the Committee, read an extract from the City article of the "Times," which refers to that particular week; I have a very distinct recollection of it myself, and this is a statement of it.

5475. The week you allude to is December 1825?—Yes; "Extract from the City article of the 'Times' newspaper of 16th December 1825;" this is headed, "Money Article.—Friday, 16th December, 1825.—At the Stock Exchange yesterday afternoon a large amount of 4 per cent. stock, the books of which are now closed for the dividends, was offered for sale; the condition was, that it should be paid for immediately in bank notes, and a large sacrifice in the price would be made for that accommodation; the bargain was struck at 93, but all the money in notes the jobbers in that stock could raise, was 50,000*l.*, though it had been intended to sell a much larger amount; no doubt can be entertained, from the nature of this transaction, that it was effected for a country banker, to whom immediate supplies were indispensable; but the extraordinary sacrifice made, may be estimated, when it is remarked that the party could have sold the same stock for the next day at 97, and probably at 102*½*, for the opening of the books in January; the Bank, as usual, allowed the private transfer, the necessity of which accommodation is now so fully established that it is granted as a matter of course." The importance of referring to that period is this; at that time the Bank had opened its doors to the public for every sort of accommodation upon any securities that had a semblance of solidity; between the 13th and 31st of December they issued about 7,000,000*l.* of additional notes; now if this was the state of things while the Bank was granting every sort of accommodation, if still there was this difficulty arising from the discredit of banking institutions, I should ask what the state of things would have been, if, instead of the Bank offering those increased facilities they had diminished them, as for instance in October 1847, while with one hand they were withdrawing bank notes by runs off of their securities, they shut the door to further discounts, or, at least, demanded such extravagant prices as parties who had bills would not submit to pay; if at that time, namely, in that week of December 1825, the directors had attempted to make a sale of 1,000,000*l.* of stock with the condition of having bank notes, it is preposterous to suppose that they could have effected it. On the 14th of December 1825, I was present at a meeting at the Mansion-house, which was attended by some of the first merchants in London, to consider the extraordinary state of the trade and credit of the country, and whether some measures should not be taken as a remedy for what, according to all appearance, there was likely to be, viz., a total cessation of any means of payment; a deputation of three gentlemen went over to the Bank parlour to know whether anything was in the contemplation of the Bank to remedy that state of things, and it was then that the directors stated that they had on the day before, that is on the 13th, come to the resolution of granting the utmost possible accommodation that the public could require, and they actually advanced money upon title-deeds and upon almost all sorts of instruments that were vouched for with any respectability.

5476. The exchanges at that time were in favour of this country, as they were in October 1847?—Certainly, just the same in that respect; the tide had not set in strongly, but the exchanges were in such a state as insured the cessation of any foreign demand, and afterwards the influx was very rapid; the bullion in December 1825, was 1,000,000*l.*, it had risen, in February 1826, to 2,500,000*l.*, in August it was between 6,000,000*l.* and 7,000,000*l.*, and within a twelvemonth it was 10,000,000*l.*

5477. Mr. Spenser.] You have told Mr. Glyn, that you did not think it at all likely that the Bank could have effected a sale of that large amount of stock in the week in which the letter came out; are you aware what the amount of the reserve of the Bank was at that period?—On the 23d of October last, the amount of reserve held by the Bank of England was 1,547,000*l.*

5478. Will

5478. Will you look now to what was the amount of the Bank deposits at that time?—£. 1,615,000.

5479. If the bankers had drawn those deposits out, would the Bank have been in a situation to meet it?—I should apprehend not.

5480. Not unless by the sale of securities, and so calling in their notes?—Not only by the sale of securities, but shutting their door to all advances and discounts; because if they had not done that they might have given a power to those to whom they made the advances or granted the discounts, to draw the amount from them.

5481. Will you look to the amount of notes in the hands of the public on that day?—£. 20,318,000.

5482. What was the amount of gold?—The whole amount was 8,313,000 *l*.

5483. If it had happened that the banking department could not have paid the bankers' deposits, would not that have occasioned such a run upon the Bank that most likely the whole of that bullion would have been drawn out?—The question supposes that the banking department stopped payment.

5484. Is it not highly probable, that with a reserve of only 1,547,000 *l* and deposits amounting to 1,615,000 *l*, and bullion 8,313,000 *l*, the whole of that bullion would in that case have been drawn out?—The amount of bullion in the issue department was so large, that I do not think it highly probable that that would have been the effect; first, I should say, before you come to a conclusion of what would be likely in that case, you ought further, hypothetically, to state what would have been the condition of the general circulation and credit.

5485. I stated what that would have been, by supposing the banking department to have stopped payment?—It is very difficult to say; but I should doubt whether it would be likely, considering the large amount of bullion in the issue department, that it would have been all drawn out; I should say it is doubtful whether the issue department could have been exhausted within the time before which it would have been absolutely requisite that some alteration should be made.

5486. But I am presuming no alteration, but a strict adherence to the Act of 1844, without any relaxation; what is your opinion as to the whole reserve being drawn out of the Bank in that case?—I imagine that is a possible case; but I confess I do not think it very probable.

5487. Are you aware that in case the Bank of England ceased to pay its notes in gold, its notes would cease to be legal tender?—I am not aware of that.

5488. But that would be so, and under those circumstances would not every banker and every merchant have been endeavouring to provide himself with all the gold he could, feeling that he might be put in the situation of having notes in his possession at the time those notes ceased to be legal tender?—I rather doubt that; the bank note is merely a symbol of the credit of the Bank, and, independently of its being a legal tender, I think they would always be current.

5489. Did there not exist at that time a great desire to hoard gold?—Not in exchange for Bank of England notes.

5490. Do you say that from your own knowledge?—From my own knowledge certainly not, but that is the impression I have.

5491. We will assume that there was a tendency to hoard; would not that state of things have increased the tendency to hoard?—It is possible it might; but still I must look to the circumstance that the amount of bullion was very large.

5492. As against 20,000,000 *l*. of notes, and all the engagements of the country?—Yes; but the truth is, that the notes were hoarded equally with the gold.

5493. Would not that tendency to hoard increase under those circumstances?—Yes, it might; it is a question of degree; I think it would hardly have gone to that extent.

Martis, 16^{te} die Maii, 1848.

MEMBERS PRESENT :

Sir F. Baring.
Mr. Glyn.
Sir William Clay.
Mr. Dimes.

Mr. Cayley.
Mr. Hudson.
Mr. Spenser.
Mr. Tassely.

THE RIGHT HON. SIR F. T. BARING, BART., IN THE CHAIR.

John Taylor, Esq.; Examined.

J. Taylor, Esq.

16 May 1848.

5494. *Chairman.* I THINK you are not in any commercial business?—Only as a sleeping partner; my capital is embarked in a wholesale publishing business, and I am so far connected with it, that I give an opinion as to the works that are offered to us; but my whole time being at my own disposal, and having a taste for literary inquiries, I have availed myself of the opportunities I have had to inquire into many subjects of interest to myself, and among others into this subject of the currency; it is in that capacity that I conceive myself to be chiefly offered to your notice this morning.

5495. You have received a summons from the Committee?—I have.

5496. For some length of time you have given your attention to this subject?—Yes, for a long time; the first pamphlet I published was in 1831.

5497. And from that time to this you have published, as the Committee are aware, many works upon the subject?—I have.

5498. Will you have the goodness to state to the Committee what you consider to be the causes of the distress of 1847?—I think that the ordinary causes to which that distress is attributed are not the causes of commercial distress; they are the causes of great distress to some part of the community. The failure of the potato crop undoubtedly was a great calamity, but I do not think that that calamity was necessarily the cause of the commercial distress; I think the commercial distress was rather caused by a peculiarity in our currency, which forbade our exercising the ability we ought to have to counteract that calamity.

5499. Do I understand you rightly that you consider the failure of the potato crop would have produced distress, but that under a wholesome system of currency it would not have produced the distress which the country has recently gone through?—Exactly.

5500. With regard to the speculations in railways, do you consider that that was a cause of the distress?—I do not think it was at all a necessary cause of the distress; on the contrary, I think that to a considerable extent the money spent in railways mitigated the distress; I think the money spent in railways, instead of injuring the country, contributed to the prosperity, in a certain degree, of the country; I believe again it was owing to a peculiarity in our currency, which, in my opinion, is not fitted to our circumstances, that railways were not of more advantage to the commerce of the country than they were permitted to be.

5501. Do not you conceive that the transfer of a large quantity of capital from floating capital to fixed capital produced great temporary injury to the country?—It might have done so under the peculiar circumstances in which this country is placed with reference to its currency, but I do not think it would have been at all a cause of the distress if we had had the state of currency in this country which I conceive we ought to have.

5502. Am I right in supposing that you trace all the difficulties that the country has gone through to the system of currency which is by law established?—I trace all the difficulties of the country which have caused what is deemed commercial distress to an error in our currency; I allow that evils must arise from year to year, and they are constantly occurring, as we find sometimes from one quarter and sometimes from another; but they are capable of being materially mitigated, and Providence has ordained that they shall be so mitigated, and that there shall never be an evil so unmixed but that there shall be

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some countervailing circumstances, and each countervailing circumstances, I think, would have materially mitigated the evils alluded to in the question, if it had been permitted by a condition of the currency suitable to the exigencies of the nation.

5503. Of course no system would have entirely prevented all those inconveniences?—None.

5504. Mr Coyley.] To what part of the present system of currency do you particularly object?—I think the currency is imperfect, inasmuch as it is too restricted to allow of the free exercise of that industry which the people are anxious to exercise, and of the proper remuneration for that industry.

5505. Have you paid attention at all to the standard and measure of value?—Very considerable attention.

5506. Am I right in supposing you to have been employed in inquiring into the Roman weights and measures?—I have been so employed.

5507. And you wrote a pamphlet upon the standard and measure of value, and the representative of value?—I did.

5508. Will you describe shortly what you conceive to have been the operation of the present system?—Under the Act of 1844 we take for granted that a gold currency, or paper money rigidly convertible into gold, is the proper system of currency for this country; I think it would have been better previously to have inquired whether under the indirect taxation of this country that was a system of currency which would have enabled us to do justice to all classes, and especially to the poor; I believe myself that we have made a mistake, and occasioned a very great and serious evil, not at all incapable of being rectified; but I firmly believe that if it is not rectified, the country will find very soon that it has lost the affections of the lower orders of the people.

5509. In what way does the present system of currency press in particular upon the lower orders of the people?—Every man must pay taxes on the articles he eats and drinks and wears, as far as those taxes are levied upon commodities; every poor man who works for his living eats and drinks, what he does eat and drink, at the same cost as the wealthy man does; but that poor man does not receive an increased price for his labour in proportion to the taxes that he pays; he gets no higher pay for his labour now than he would do if this country were comparatively untaxed. The difference to him, therefore, is a direct loss, and, instead of the wealthy paying the taxes on consumable articles, a great part of that payment, by far the greater part of it, falls upon the poor producing those articles.

5510. Do you think that that was the intention of the Legislature when indirect taxation was imposed?—When indirect taxation was levied; when, first of all, after the Revolution in 1688, we began a system of excise duties, we had a currency which permitted taxes to be added to the prices; we had a depreciated currency, as it is called; we had a great quantity of Exchequer money afloat, equal to our paper money of the present day, but issued by the Government; that paper money permitted people to charge as much higher for their goods and commodities as the taxes levied upon them required them to charge. From that time to this the taxes have gone on increasing, but the money in which those taxes were represented has not always gone on increasing, and, therefore, at particular times there has been severe distress. After the restoration of our silver coin in 1697, there was a considerable pressure upon the people; it continued with very great severity till 1717, at which time the guinea was first fixed at its rate of value of 21 s.; but during that time the silver money was so exceedingly scarce, that Sir Isaac Newton said, "If things went on a little longer in that way, people would not pay in silver without a premium." There was great pressure, and many pamphlets were written on the subject. After that time we got a little easier, and at length the system sprang up of the use of country paper money, which by degrees extended very far. The silver currency, also, of the country became degraded; it became abraded, and sunk in value by being diminished in bulk; various inquiries were made, the results of which are published, which show the degree of abasement, if I may so term it, or of depreciation which the silver currency underwent. According to Ruding's *Annals of Currency*, the shillings in 1739 were deficient from 6 to 11 per cent., the sixpences from 11 to 22 per cent., and both were very scarce. In 1750 the Bank and Excise notify that they will not take guineas wanting six grains in weight, a deficiency of 5 per cent., or 1 s. in the pound. In 1700, Lord Liverpool

J. Taylor, Esq.

15 May 1848.

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estimates the shillings as deficient one-sixth, sixpences one-fourth. Under these circumstances the industrious classes of this country were permitted again to feel easier by getting a higher nominal price, representing their increased taxation. This went on until gold began to lose its value still more considerably, as it naturally would do; and then came, in 1774, an Act for the restoration of gold to its full weight, with an order that it should not be taken in payment at all if it failed of one grain of that weight. In 1775, Sir George Savile brought in a Bill for restricting the issue of country paper to 1*l*, which in Yorkshire in particular had been circulated to a surprising extent for smaller amounts. He speaks of paper money from five shillings down to sixpence; and promissory notes were in circulation which ran for almost an indefinite time. In 1777, Parliament determined to extend the restriction to all notes drawn in England for any sum under 5*l*, which notes were directed to be made payable at 21 days after date, and to be transferable only by indorsement.

5511. Mr. Glyn.] Was this paper issued by shopkeepers?—It was issued in a great degree by the manufacturers, and no doubt the country felt much easier than it would otherwise have done through the medium of this operation. It was of very little consequence to the workmen themselves; they took the note in return for their labour, and they could get any articles for that note; by going to the shops they obtained the same quantity of commodities as they would have obtained if they had been paid their wages in gold or silver; it was the good faith which prevailed between the masters and the employed that prevented this system from being found fault with by those poor men. It was undoubtedly an abuse, inasmuch as notes were circulated for sums ridiculously small, and also for indefinite periods of time; so that when men were embarrassed, it was impossible to bring them to the condition of insolvency; you could not tell when they ought to be wound up. The restriction of the period, therefore, was a just and proper measure, and the restriction of the sum was also a just and proper measure. From 1771 the Bank of England had found themselves obliged to buy gold at a higher price than that at which they were required to part with it, which was a great trouble to them; I think they lost as much as 20,000*l*. a year before the coin was corrected. In 1783, the silver currency was again much degraded in value, so much, that the dollar was generally taken for 5*s*., and the silver money was, of course, of no higher value in proportion. Hence prices rose, and this continued until the breaking out of the French war; during which interval, there was extreme prosperity in this country. Between the American and French wars, I believe all classes of traders were more easy and flourishing in their circumstances than they had ever been at any former period. In 1792, there came a pressure on the country for gold, in consequence of the disturbances in France, and this produced distress, because it was profitable to export our guineas to France; they would give us the value in silver of 1*s*. 6*d*. more than the guinea was worth. This was an evil which was again felt by the Bank; the directors not knowing how to protect themselves without injury to other classes, acted as well as they could; but unfortunately the mercantile classes in 1793 felt the blow very severely by the restriction of discounts, and in 1793 accordingly we find that considerable sums in Exchequer bills were loaned to merchants to enable them to bear up against the pressure of the times. In Liverpool, the corporation took the extraordinary step of issuing bills on the estates of the corporation, to the amount of 200,000*l*. These measures did good for the time; but there came again a pressure for gold in 1795; it was so great, that it was said by the Governor of the Bank, in his letter to Mr. Pitt, they paid four guineas per ounce for gold at the Bank. Mr. Abraham Newland, in his evidence before the Bullion Committee, said they paid 4*l*. 8*s*. for a short time, for a small quantity of foreign gold. The rise of price was necessary, according to my opinion, to represent the increasing taxation of the country, that taxation being necessary from the increasing expenditure of the war. It came to such a pass, that at the commencement of 1797 the Bank could go no further, and then the measure passed, which is so well known and which has occasioned so much contrariety of opinion,—a measure which I really think was highly necessary and impossible to be withstood, and beneficial in every way to the community of the country,—I think there was no class that might not be said to have benefited by the restriction of cash payments. So great a difference did it make in the revenue, that the taxation of the country, which could not be raised so high as 20,000,000*l*. a year up to 1797, in the course of the next year, 1798, rose

rose to 30,000,000*l.* The people, relieved by the ability to charge more for their commodities, freely paid their taxes, and freely bought the articles they wanted. The revenue had all the benefit of it; and how the country went on from that time to this is well known.

5512. Mr. Copley.] You have not stated what led to the crisis of 1783; perhaps you remember that this crisis, instead of having been preceded by a low value of money, was preceded by considerable difficulties; the Three per Cent. Consols, which had been 87½ and 88 in 1775 and 1776, were at 80 in 1777, at 60 in 1779, and 58 in 1781; 65 in 1783, and 55 in 1784 and 1785; can you account for that?—The expenses of the war with America had, as every period of war has generally, an injurious effect on the price of the funds, but on that occasion there was a further disadvantage; it is mentioned by Macpherson, in his *Annals of Commerce*, that there were 14,000,000*l.* of floating Government debt (navy and victualling bills) which were at a discount of from 15 to 20 per cent., and that these most materially affected the public funds, so that in 1784 a fall of no less than from 60 to 53 had taken place from that cause alone since the termination of the American war.

5513. Was that adversity in 1783 at all caused by the restoration of the standard in 1783?—There was then no restoration; it was not commercial distress in 1783; there was no complaint of the merchants in 1783; the distress was a distress arising from the extremely deficient supply of corn; we had a very great failure of the harvest in the autumn of 1782, and that produced very considerable distress.

5514. What caused the prosperity you have spoken of between the American and French war?—We had at that time no war, and were beginning, in some degree, to pay off our debt, and we had a currency which enabled us to charge those prices which were requisite for our commodities.

5515. Was that met also by the issue of Exchequer tallies?—The prosperity was not owing at that time to Exchequer tallies.

5516. In what way did the old system of Exchequer tallies differ from the present system of Exchequer bills?—Very materially, in this way; they were always received in payment of taxes during the first year of their issue, and they were publicly sold in the market; men bought them, and made payments in them one among another, and after the first year those who kept them were allowed a handsome interest; as much as 7*l.* 12*s.* per cent. was allowed for Exchequer tallies on their re-issue, or to those who kept them more than one year.

5517. Would you say that the Exchequer money of that day was to be added to the apparent Bank circulation as the real circulation of the country?—The Bank circulation was very small; the Bank did not begin its operations till 1694, when its capital was 1,200,000*l.*, at which time the tallies amounted to 15,000,000*l.* These tallies were allowed to be funded and added to the capital of the Bank and of the South Sea Company, about the year 1697, by which the tallies were absorbed, and from being at a very great discount, 'as much as 40 per cent., they rose to par, and those who bought them had them inscribed as of their full value in the Bank stock and South Sea stock of that day.

5518. With regard to the present system, would you say, speaking shortly, that the system upon which the present plan of currency is founded was, that it varied precisely with the amount of the precious metals?—I think that is the principle of the present system.

5519. And that the currency should be governed by the foreign exchanges?—That is the alleged purpose, as stated by Mr. Jones Lloyd.

5520. Will you state your view as to the effect of that system of the carrying out of the currency upon the industrious and working classes?—In consequence of its being rendered necessary that the paper currency of this country should always be convertible into gold on demand, whenever we have, from whatever cause, a general rise of prices, that gold has immediately a tendency to go abroad; it is not allowed to rise in price in our paper money; but corn, lead, tin, iron and all other commodities may rise; the foreigner therefore naturally takes that which he knows is the cheapest commodity he can take, and when he has taken it we are obliged to go cap in hand to him, and beg him to take our goods at almost any sacrifice, in order that he may let us have that gold again, without which the Bank cannot continue to give its customary accommodation to the public.

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5521. Would you recommend that the gold, into which the bank note is convertible, should be allowed to find its own value in the market?—I would certainly recommend that it should be allowed to find its own value; but I do not think that this would cause a difference that would at all disturb any of the relations of price that are now prevailing in this country, affect the interests of the tenant or his landlord, or inflict any injury as regards the position of the debtor to the creditor, or of the creditor to the debtor. I think the effect of it would be that which was felt for a long time during the war; that there would be great freedom in the use of money, and great business in transactions, without any unjust rise of prices, or any change that could be considered injurious to any part of the community.

5522. If gold was allowed to find its own value in the market, under an adverse exchange; do you think the foreign demand for it would raise its price?—If there was an adverse exchange, the foreigner could not bring his English bill to this country, and get for it what he now can, say 100*l.*, he would get something less for it.

5523. In that case, is it your opinion that the price of gold might rise till it became more profitable for foreigners to take our goods than to take gold?—That is my opinion.

5524. Under those circumstances, little or no fall in the price of our goods need take place to induce foreigners to take our goods?—The foreigner could not object to take our goods at higher prices, if he sold his goods at higher prices.

5525. Under the present system, enabling the foreigner to take gold at a fixed price in foreign payment, can the Bank protect itself against a drain in any other way than by curtailing discounts, throwing down prices, and disemploying labour?—It cannot.

5526. Under the present system, the foreigner is enabled to take his payment, not by a rise of price of gold, but by a ruinous fall in the price of our goods?—That is so.

5527. Upon whom does that sacrifice principally fall?—It falls, first of all, upon the producers of those goods. The late Mr. Rothschild described it very well before the Bank Charter Committee in 1832, when he said that the manufacturers and the owners of colonial produce, who had bills running against them, finding themselves unable to obtain discounts, were forced to send the articles in which they dealt to foreign markets, and to draw bills against them; there they were sold at a very considerable loss, and by that means the foreign exchanges were again rectified. They were rectified to the injury of particular classes of persons, who ought not to have been made to suffer any less, more than any other part of the community; but the loss fell upon them in consequence of their being more exposed than others to the action of the foreign exchanges.

5528. Referring to the potato failure which led to the great demand for foreign corn, will you describe how, under the system which you would prefer, that would not be the occasion of the great distress that we suffered in 1847. How could we have avoided the distress which we suffered under that state of famine, followed by the great influx of foreign corn, under any other system of currency than the present?—If we required foreign corn in this country, or any other commodity, under that system of currency which I would advocate, the foreigner would say, "You are in necessity; you want this article; I will let you have it, but it must be at a higher price than under ordinary circumstances;" that higher price we should be perfectly willing to pay; he would charge the higher price; he would have bills running on England for the goods that he had supplied us with; those bills would be so numerous that their value would be deteriorated, that is to say, they would be sold on the continent at a less value than their nominal value; we must send to the continent other commodities to meet that corn, in return for which we again are enabled to draw bills upon the continent. These bills go to neutralize the others; the payments made in one country are met by that means by the claims upon another country; and it is the business of the bill brokers between nations, Messrs. Rothschild and others, to arrange those bills one among another. At last it comes to this pass, that the quantity of trade done between the two countries is increased in nominal amount exactly in the degree in which the article most wanted was raised in price. We give the foreigner for 10,000,000 *l.* or 15,000,000 *l.* of corn, 10,000,000 *l.* or 15,000,000 *l.* of goods; he gets those goods which he would not have had if he had

had not supplied us with the corn, but he is enabled, by the difference of the exchanges, to get possession of the hills at a lower price, and thus he gets those goods at a lower price; we pay a higher price, but we get a higher price for the articles that we sell than we otherwise should have got; it all resolves itself ultimately into an exchange of commodities, and gold, which might enter into the transaction, is not necessarily a party to it.

5529. The difficulty during the last year was, that the foreigner who sent his corn here, was unwilling to take anything but gold?—Yes, and very properly. The foreigner who sends his corn here, knows very well that he need not trouble himself with anything more than that single operation of getting gold for his corn; with that gold in his possession, he can make a better bargain with us than he would otherwise be able to make. He obtains from us a commodity which we cannot do without; and then he says, "I will wait till your necessity compels you to buy that gold back again from me." We then pay him ultimately a much higher price through the intervention of our gold principle than we should have been content to pay him, if our transactions had been conducted upon a system of money more nearly approaching to a system of barter.

5530. Then you mean that the foreigner having got our gold in exchange for his corn, endeavours to induce us to buy it back by waiting until our great want of gold compels us to sell our goods at a depreciated price, in order to buy it back?—That is my meaning; and he sees the operation of that process going on by the published accounts of the Bank; he sees gold departing from this country, and he knows that we cannot go on long in this country without getting the gold back again; and before we get it back he knows that prices will be very much depressed, and that he will have a great advantage by waiting.

5531. You do not mean to deny that there is a serious calamity in the losses that we sustained by the failure of the potato crop, and the failure of the harvest; but you mean to say that the natural loss is greatly aggravated by our artificial currency?—It is greatly aggravated by being brought, as it were, to a point, to bear with all its pressure upon the quantity of gold in the country. If it were spread over a larger surface, and were allowed to act upon all the productions of this country, it would be comparatively unfelt. In that case I do not think that there would be any great distress with any class of the community; because the working classes would be able, by means of increased wages, to buy that corn when it was brought from the continent at a higher price than it had before been sold at here.

5532. Under the present system, the higher the price of corn the lower become the wages of the labourer, under a bad harvest, with which to pay for that corn?—It is so. If you will allow me, I will mention the circumstances which took place in the years 1809 and 1810, when we had a great importation of corn, arising from a deficient harvest, and when we also sent abroad a considerable quantity of gold in subsidies, and for the expenditure of our army. The effect on this country was greatly mitigated by our having a currency which permitted the severe blow of the famine, to be, as it were, paralysed or softened by acting upon the commodities of the country generally. It is mentioned by Mr. Vansittart, that in 1809, we had a great importation of corn, for which we paid 2,705,496 *l.*, and in 1810 a still larger importation, which cost us 7,077,885 *l.* Now we did not pay for that corn in gold; how then was it paid for? We paid for it by an excess of exports above imports, in official value, of 15,495,000 *l.* in 1809, being 10,000,000 *l.* above the average of that period. This caused a difference in the proportionate excess of exports above imports of 51 per cent. as compared with 17. The proportionate excess of exports in 1808 was 17 per cent.; in 1809, 51 per cent.; in 1810, 13½ per cent.; in 1811, 10 per cent.

5533. Mr. Thorsely.] Are those the official or declared values?—These are the official values, which show comparative quantities.

5534. Chairman.] You compare the official values of the imports with the official values of the exports?—Yes, both are compared; it is the excess of the exports above the imports, both taken at the official value; it is the sudden rise that I refer to, and the sudden fall, showing the way in which we paid for the import

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import of corn during the period when we had the means of protecting ourselves from paying in gold, and we did not attempt to pay in gold.

5535. Mr. Cayley.] Can you explain how the exchange was rectified during the war, as compared with the way in which it is rectified now?—It is a remarkable fact that the exchanges during the war, which at various times fell very low, recovered themselves again, though we had generally high prices for our commodities, and a system of currency protecting us from a demand for gold; so that it does not follow, as a necessary consequence, that when the exchanges are against this country, the balance must be paid in gold. The higher prices of goods here, which are now represented by our paper-money, in the degree in which they exceed the prices of the same goods in gold, create a fall in the exchange which is now rectified by the export of gold.

5536. Do you wish our circulation to consist of paper not convertible?—I could wish our circulation to consist of a certain quantity of legal tender paper-money, issued by authority of the Legislature, the quantity to be determined by the Legislature from year to year, with reference to the amount of taxation.

5537. Would there not be danger under that system of coming to the state of the assignats in France?—None whatever, if we took the most ordinary care to prevent it, or unless we were so mad as to rush upon our ruin contrary to the dictates of our own good sense, for it could never be to the interest of any Government to depreciate the value of its paper. Mr. Huskisson complained, in his pamphlet on "Depreciation," that during the war there was a depreciation of the currency, and that the Government paid so much the more for all contracts; but if prices were not raised higher than the taxes required them to be increased, I do not think that he had any right to make that a ground of complaint, because I do not see why the Government should buy its commodities from the people at a less price than that which the people pay for their commodities to each other.

5538. You are not in favour of depreciated paper?—I am not in favour of a depreciated paper, but I do not call that a depreciated paper of which the value is a pound in English transactions, though it may be of less value than the gold pound in foreign transactions.

5539. Would you substitute the paper for the gold pound?—I would always have the gold pound exist as a coin which might be possessed by every one who chose to purchase it; but as regards the paper-money which the Government might issue in payment of all its obligations, I think it should be bound to receive that same paper-money again in discharge of its taxes.

5540. How would you arrive at the value of this paper pound?—The Government that issues it for a pound, if it takes it again for a pound, authenticates it to be of that value.

5541. Perhaps you have heard the question asked, "What is a pound?" will you be good enough to give an answer to that question?—I should say that a gold sovereign of the weight of 123 grains is a pound; but that an Exchequer note issued by the Government for one pound, and paid away in discharge of its obligations for that sum, being universally in this country a legal tender, is also a pound.

5542. What would be your standard of value?—The standard of value, if I may use the term properly as contra-distinguished from the measure of value, is, in this country, and in every country, a certain quantity of that article which constitutes the principal support of man's life, which is, in this country, wheat; this is an old definition to be found in Sir William Petty's writings.

5543. And admitted by most writers?—By most of the best authorities.

5544. What would be the measure of value?—The measure of value is most conveniently found in coins of gold or silver, either or both of which, with copper corresponding with them for smaller payments, will answer the purpose of a measure of value perfectly well.

5545. Your representative of value would be paper?—Yes; suppose the country were taxed to the extent of 50,000,000*l.* a year, and it was resolved that there should be an issue of paper-money to that amount, the Government owing 50,000,000*l.* pays away that sum in the course of the first year by the issue of so much paper-money. All the time that it is paying away this 50,000,000*l.* of paper-money

paper-money it is receiving other money from the proceeds of the taxes, the same that it now receives, but this money has been borrowed; part of it is owing to the Bank; a good deal is raised upon Exchequer bills; the Government has, in fact, no money of its own; that money, therefore, which is coming in during the year in which the other money is going out, being due to other people, ought to be paid back to those from whom it has been borrowed; the Government then would no longer be under the obligation of paying interest for the money in which it received its taxes, for it would be as regards that paper-money which it had issued to the amount of the annual taxation at no expense, save that which attended its creation. When that money was brought back again, the whole transaction would be as perfect as it could be even if gold had been the instrument made use of in the process.

5546. What do you consider to be the present amount of Bank circulating medium?—The Bank of England at present issues about 18,000,000*l.* The private and public banks of England and Wales issue about 6,000,000*l.*; it is below 25,000,000*l.* in England and Wales.

5547. Including gold, and the paper both of the Bank of England and of all the joint-stock and private banks in the United Kingdom, would you say that the circulation now amounted to 50,000,000*l.*?—I have seen a statement made recently by which it appears that the gold alone amounts to 40,000,000*l.*; if you add that sum to the 25,000,000*l.* for England and Wales, you get 65,000,000*l.*, a greater sum than the issues of which I was speaking.

5548. You would not, then, wish to increase the present amount of circulation, but you would wish it to be of a more stationary character?—I would leave it, if possible, perfectly free; I think the present amount of circulating medium is insufficient for the country; but I should not propose to issue so much money of the State, including gold, as we have at present, if we add the gold to the paper circulation of the country.

5549. If you want an increased representative of value, how would your system be better than the present, since it would not increase the amount of the circulation?—I would leave all the banks at liberty to issue their own notes to the extent that might be required of them, so far as their ability justified them; I should not wish to limit the issue of country bankers, nor of the Bank of England as a joint-stock bank; the Bank of England would then be a joint-stock commercial bank, and it would issue its own paper as far as the directors might deem necessary or convenient.

5550. Do you remember the rule laid down by the Bullion Committee as to the circulation of the Bank of England: "The Bank of England directors, as well as some of the merchants who have been examined, showed a great anxiety to state to your Committee a doctrine of the truth of which they professed themselves to be most thoroughly convinced, that there can be no possible excess in the issue of the Bank of England paper, so long as the advances in which it is issued are made upon the principles which at present guide the conduct of the directors; that is, so long as the discounts of mercantile bills are confined to paper of undoubted solidity, arising out of real commercial transactions, and payable at short and fixed periods. That the discounts should be made only upon bills growing out of real commercial transactions, and falling due in a fixed and short period, are sound and well-established principles;" is that your view?—I entirely agree in that opinion.

5551. With respect to the issues of country banks, do you agree with Mr. Huskisson, that "It is admitted that the country banks cannot make or permanently maintain in circulation any over-issues of their paper"?—I quite agree in that; but I say at the same time it is a question worthy the consideration of Parliament, whether some security might not be given to the public that the notes of country bankers should always be of the value they profess to be.

5552. A security in Consols or real property?—In Consols or other funds, or I do not know why it might not be in land; Mr. Stuckey, in his evidence before the Bullion Committee, said, "We always keep assets enough in London, consisting of stock, Exchequer bills and other convertible property, sufficient to pay the whole of our notes in circulation."

5553. According to your view the country banks should give security, but the Bank of England or the Government should give no security to the public?—The Bank of England has already given security to the amount of 11,000,000*l.*
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by having lent its capital to that amount to the Government; the State has no need to give any security.

5554. You propose that the Government itself should issue this legal tender paper-money?—The Government should issue the legal tender paper-money under authority of the Legislature.

5555. Still how would you distinguish this legal tender paper-money from the assignats of France, issued during the last revolution; they were equally a legal tender paper-money?—That money was a legal tender paper-money; but there is a material difference in the principle on which it was issued; it was issued first of all on the security of the national domains; it was presumed that the national domains were of a certain and very great value, and those notes were issued on the condition of their being returnable in taxes, or in the purchase of a portion of those domains; for some time after they were issued in great abundance they did not experience any very great depreciation; Mr. Henry Thornton mentions that it was a long time before they arrived at the depreciation of 10 per cent.; but when successive issues were made, and that by different governments, so that it became very clear there would be no redemption through the purchase of the national domains, which was the condition of the first issue, they fell enormously in value. I do not conceive it possible that such a state of things could take place in this country; the good faith of this nation would prevent it; no government of this country could be so insane as to attempt to issue notes to the extent of the property of the country, estimate that property at whatever you may; but nothing of the kind could take place in any degree if you limited the issue of this paper-money to the extent of our annual taxation; the principle of the two issues is decidedly different.

5556. Then the difference you describe to consist in this—that all legal tender money issued every year by the Government would be taken up every year by the Government; whereas the assignats issued in France were not taken up by the government?—Exactly so.

5557. Suppose that such a circulation as you recommend would not give satisfaction to the public of this country, what other mode would you substitute for the present?—Parties might be allowed to issue a legal tender paper-money, on giving security to the Government for the amount of their issues; the Government need not take an active part in the proceedings; they might simply hold the securities, and allow parties to issue a legal tender money to the amount, which money they would not be compelled to take up in gold on demand. That money would be as well entitled to the character of legal tender paper as the Government issues, but there would be this difference to the country—it would have to pay interest for that paper-money, whereas for paper-money issued by authority of the State it would not pay interest.

5558. You appear not to object to the present currency on account of its amount, but from some other cause; is it because there is a great tendency to fluctuation?—It is chiefly because it does not enable the taxation of the country to be represented in prices.

5559. Supposing the country insists upon some kind of convertibility into the precious metals, what kind of convertibility would you recommend?—Convertibility into those metals at the market price of those metals.

5560. Do you remember any occasion on which the Bank of England proposed to pay its paper at the market price of gold?—Yes.

5561. What occasion was that?—The Bank of England proposed in 1819 to take up its notes in gold at the market price till the time should come when the country could bear a return to the Mint price; but that notion was scouted; and I think a very erroneous view was taken of it by Mr. Ricardo: he said, there was nothing to prevent the Bank from declaring at one time that gold was 4*l.* per ounce, and at another that it was 10*l.* per ounce. I think I have seen that opinion repeated recently. It appears to me that he must have entirely mistaken the principle upon which the Bank would act; it could never be the interest of the Bank to deprecate its own capital; if it lent out its capital at the rate of 4*l.* an ounce, it must be very foolish management indeed to allow the parties who were its debtors, to bring back paper-money in which gold had gradually risen to the price of 10*l.* an ounce, to pay off loans which they had received at the rate of 4*l.* an ounce; for after all it is the quantity of gold lent which they ought to look to; the nominal amount of the paper is not to be regarded in comparison. It would be a great gain to the Bank of England, and

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to every bank, to receive its notes back again enhanced in value, but it is a decided loss to receive its notes in return degraded in value.

5562. But still, in your opinion, there is the possibility of that depreciation, if I may so call it, of gold?—There is no possibility of the depreciation taking place from the issues of the banks; it must arise from some other cause. If there were anything that could be called a depreciation of the bank note in comparison with the gold, it must be caused by the taxation of the country being increased, and by our creating thereby in this country higher prices than are consistent with gold values; but if we have imposed increased taxes, I do not think we ought to complain that the people who pay those taxes attempt to charge those taxes again to the consumers of the goods, and raise their prices in proportion. They who are the originators of this rise of price surely ought not to complain of that rise of price which is the effect of their own measures.

5563. Supposing the market price were tested, not by the price in this country, where an excess of issues on the part of the Bank may raise the nominal price of gold, and along with that the nominal prices of all commodities, but it were tested by prices abroad, would that tend to give the Bank any protection against a drain of gold?—That would be the condition which I should wish to see established; the foreigner must then take gold away at the price of the gold in this market.

5564. If the price were tested by the foreign price, and not by the English price, the foreign price not being at all changed by our regulations here, how could the market price of gold be depreciated abroad by any regulation of ours?—The foreigner always buys and sells with regard to metallic values. Whatever weight of gold may be involved in the price, the foreigner buys or sells either in his own currency or in ours with reference to that weight. If he sells in the English pound sterling, which would be paper-money of this country, he would look to the exchanges to see how much gold he could get for that paper-money. If he sold his goods in this country at one time for 100*l.*, and could get a certain quantity of gold, say 25 ounces of gold for that 100*l.*, and at another time he finds that he must have 120*l.* to be sure of obtaining that 25 ounces, he will not sell his goods in English pounds sterling for less than 120*l.*, but he is only equally well paid in the one case as in the other. He would not be injured, whatever our prices might be, if, after all, we gave him the same natural value, the same gold value, for his commodities that he gives us. He has nothing to do with our taxes; if our taxes raise prices beyond natural values, we cannot expect the foreigner to come in and give us those higher prices to his own detriment; he will not pay our taxes. But this would not be attended with disadvantage to this country; it would not be attended with any difference in the exchanges generally; for as the foreigner sold in this country his own goods for the higher price, so he would be willing to give us the same higher price for our goods; and it is, therefore, only a question whether we should call the transfer of a sum of money by the name of 100*l.*, or whether we should call it by the name of 120*l.* It is the same thing in both cases, if that which was called 100*l.* and was met by 100*l.*, is now called 120*l.* and is met by 120*l.*

5565. I suppose you would be satisfied if, instead of issuing yearly the legal tender paper-money to the amount of taxation to be returnable at the end of the year, the legal tender paper-money were to be issued for the amount of half the taxation, and half yearly?—It would answer the purpose, but somewhat less perfectly. I have stated it in the broadest way, but it would answer the purpose if it were half the quantity; it would even answer the purpose if it were not more than 15,000,000*l.* or 16,000,000*l.*, or even 14,000,000*l.*; because, if the banks had but that legal tender paper-money to offer when there came a pressure upon them for gold, it would enable them still to continue their proper accommodation to their customers, and would support prices; whereas at present this power is taken away from them by a great demand for gold. It would protect us in the possession of that gold, as far as was necessary; and it would also protect us in supporting that regular range of prices which the necessities of this country require to do justice to the productive classes.

5566. You say that 14,000,000*l.* would be sufficient, but you are aware that we have now legal tender paper-money to the amount of 14,000,000*l.*?—That which you allude to as a legal tender paper-money to the amount of 14,000,000*l.* is an ideal thing. I want to have a tangible legal tender to that amount, instead of an abstraction only, to be called into existence under such extreme circumstances

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as forbid its use; let us not have it in account, but let it be actually issued. If the banking department of the Bank of England last autumn had been in actual possession of a legal tender paper-money which it could put forth, if necessary, to the extent of 14,000,000*l.*, there would have been a complete cessation of that pressure which was felt throughout the country; for as soon as confidence was restored, it ceased. The pressure on the Bank arose entirely from an apparent necessity on the part of the Bank to contract its issues; this led every one, with a view of counteracting the effect of a reduction of the circulation, to seize all the gold or notes he could lay hold of to supply his own exigencies; if there had been that quantity of legal tender paper-money absolutely issued, confidence would not have been disturbed, and the transactions of the country would have gone on as usual.

5567. The circulation not having fallen below 17,000,000*l.* or 18,000,000*l.*, and there being in the estimation of the public at least 11,000,000*l.* of protection notes, I do not quite appreciate your explanation of the way in which your 14,000,000*l.* would have operated more beneficially to the country?—The notes which the Bank now issues are not a perfect legal tender; they are only a partial legal tender; a legal tender between man and man, but not a legal tender from the Bank; if they were a legal tender from the Bank, they would be equivalent to an equal quantity of gold in the Bank coffers. If, then, having had as much as 15,000,000*l.* of gold, the directors had found this store run down to 10,000,000*l.*, or 6,000,000*l.*, and they knew also that they had in their possession, ready to be offered to parties applying for aid, 14,000,000*l.* of legal tender money equally available with the gold, they would not have found any need to restrict themselves in granting discounts to whatever extent they might be required.

5568. Are you aware that one of the objects of the Act of 1844 was to give that additional amount when the gold was exhausted, and that the paper-money issued to the amount of 11,000,000*l.*, the debt of the Government to the Bank, was intended to act precisely as the legal tender paper-money which you have described?—But it does not exist; the 11,000,000*l.* is spent; it is a debt; there is no 11,000,000*l.*; it is not forthcoming.

5569. What you conceive the public want is an amount of legal tender paper-money in addition to the amount of legal tender paper-money issued by the Bank?—The question supposes that the Bank of England issues legal tender paper-money; if the Bank issued legal tender paper-money the question would be very much narrowed; but it does not do so.

5570. It was an apparent issue of legal tender paper-money as between man and man. The intent of the Act of 1844 was out of 20,000,000*l.* of circulation, when 9,000,000*l.* had been withdrawn, in consequence of the efflux of gold, to leave the remaining 11,000,000*l.* such a legal tender as you would wish to have?—They are not a legal tender; they are like the rest of the issues of the Bank; the whole of the Bank issues are defective as a legal tender. If they were what can be called a legal tender, they ought to be a legal tender from the Bank to other parties; but they are not, because for every note the public may obtain gold on demand; if they were a legal tender, no gold coin could be demanded for them. A foreigner, who had bills on England, might come to the Bank, and having got his bills changed into notes for whatever the amount might be, he could, under the present system, demand gold for every note. But under the legal tender system, if he came with a bank note, the note of a joint-stock bank, such as the Bank of England properly is, and demanded gold, the Bank, if it had not the gold, would tender him some of its legal tender notes; these would not satisfy the foreigner, and he would then go away, saying, "if I cannot buy gold at the value which I thought I could, I may as well go and buy other commodities with my notes; or if I want gold, I must go to the bullion brokers, and pay them a higher price than pound for pound." That is the protection which we want; we want a legal tender paper-money to whatever extent Parliament may think proper to issue it, which could be used in self-defence; and which would prevent us from becoming the prey of foreigners, when we have engaged in transactions with them, which for a time would, under our present system of money, give them an advantage over us. We had this protection secured to us by several Acts of Parliament from the 9 Edward 3 till the 59 George 3, when, after near 500 years' duration, it was withdrawn at the very time it was most wanted and could have been made most efficient.

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5571. With regard to the pressures that take place, which are supposed to come naturally, we have heard lately that alternations of prosperity and adversity are natural consequences; is that your opinion?—My opinion is, that, according to the description given of us, we are the most foolish people in the world; we are always supposed to be so anxious to rush into every engagement, that we bring ourselves perpetually into jeopardy, and then those panics arise, which are all attributed to the excessive cupidity of the English people, to their great desire to get money by any means. I do not think that this is the true character of the English people; I think they are misunderstood; I think that if we had such a paper-money as I contend we ought to have, to represent the taxation of the country, a properly constituted legal tender money, we might arrive at such a pitch of comparative prosperity, that people would not willingly throw away their existing advantages in eager attempts to get something more, which would generally disappoint them in the event. We should be more like what we once were, a people not over-working themselves, and not requiring any of those who were employed by them to be over-worked. I recollect the time when the lower classes of this country were in far easier circumstances than they appear to be in at present; there was not that intensity of labour in those times which there is now; and there would not be such intensity exercised now if we had that system which we require, and without which we ought not to be subjected to a system of indirect taxation which calls for a rise of prices.

5572. With reference to those alternations we have had a considerable number of them during the present century, and they appear to have rather increased, if not in frequency (which, however, they seem to have done) at all events in intensity of operation; can you account for their existence, or for their being more protracted than they were?—I can understand the reason why they increase in intensity, and why they increase in frequency. I have met with many men in the course of my time who have sunk down from their former circumstances into an inferior condition, and when I have asked them what was the cause, their reply has been to this effect: "I am out of business—I failed—I stood first one shock, then another, and another, till at last one came that ruined me; I lost some of my property by every shock, but I could not stand the last crisis, and if I had not gone then, I must have sunk with the rest." How many there are, who, under a better system of currency, would still be men of the highest respectability in the country, that have failed from repeated attacks of this kind! I am sorry to see also that there has been exhibited of late in the public press of this country a very unchristian kind of triumph over these men; they are accused of not having failed soon enough. I believe the measures of the State have ruined the greater number of them; that they have been ruined not by their own fault, but in defiance of all the wisdom, care, and experience, that the most active-minded man could carry into practice in his own concerns. It requires a man now to be equal to the duties of a Chancellor of the Exchequer to conduct even an ordinary business, and I believe that some Chancellors of the Exchequer would fail if they had now to get their own living either as merchants, manufacturers, farmers or traders. The country bankers are told that they ought to look to the foreign exchanges in the conduct of their business; but everybody ought to look to the foreign exchanges in the same way, under such a system of currency as we have at present; for there is nothing in which a man can engage, whatever it may be, no property which he can buy, no undertaking in which he can embark, in which he may not find himself, contrary to his expectations, to have reckoned without his host. He may sustain the first operations of the Bank; he has suffered much by their refusing discounts, but all his property is not lost, and he has preserved what he values most of all, his reputation; another shock comes, and with the loss of his reputation he now incurs the additional ignominy of being charged with not having stopped soon enough.

5573. Do you think that the same amount of care, prudence and ability in the last 30 years would not have borne a man harmless through commercial adventures which carried him through them during the last century?—I believe in comparison with the time to which I would more willingly refer, that which preceded the last century, mercantile adventure has been far more hazardous since the termination of the late war: a better period, undoubtedly, than the present was that during the war, when we had a system of currency which comes very nearly to that of the times I look back to, when I speak of the times preceding 1700.

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5574. Would you say that those alternations of prosperity and adversity were the necessary consequences of the present system, rather than natural alternations of prosperity and adversity?—I should say that they are the necessary consequences of the present system.

5575. Our currency is regulated by the exchanges, is it not?—Yes.

5576. And the exchanges vary very much with the weather, or the prospect of the harvest?—They would appear at times to be subject to those influences.

5577. However prosperous we may have been before, the Bank is obliged to provide for that contingency, when it becomes imminent?—It is.

5578. If the harvest threatens to be a bad one, the accommodation of the Bank is stopped, and discounts are refused?—I do not think the Bank looks so very far forward as that; for it was uncertain, about six weeks ago, whether we should not have a bad harvest this year; and I do not think that such a contingency had any effect upon the issues of the Bank of England.

5579. But did we not see symptoms of revival in the manufacturing districts after we had 10 days of fine weather?—Yes, there was some improvement.

5580. But with a bad harvest in prospect, and in consequence an efflux of gold, necessitating stringent measures on the part of the Bank, all that prosperity must tumble down?—I think so.

5581. After those stringent measures have brought down the prices of commodities, and ruined a great number of merchants, is it not the fact that for a long period afterwards they are afraid of engaging again in mercantile adventures?—That is the fact.

5582. Does not that account entirely for periods of prosperity in trade, if followed by a bad harvest, bringing about a long period of commercial adversity?—Yes, it appears to do so.

5583. For a long period of commercial adversity money is not taken up, and will not that account for the declining value of money?—Undoubtedly it has that effect.

5584. Will not the declining value of money, when it becomes very low, induce merchants to begin again commercial adventures?—It will act as a great incentive.

5585. After they have engaged again in commercial adventures, and prices have risen in proportion, if the prosperity depends upon the harvest, and if the harvest prove again to be adverse, have we not to run through the same course of things again?—Yes, that is the usual routine; but after every severe reverse, there is a greater degree of suspicion and caution, and men are slower to return again into the accustomed channels of adventure.

5586. Will that account for the periods of adversity being more protracted than they used to be?—I think it will; and from those repeated adversities men become so timid at last that none but those who are constitutionally very bold, and who look only to obtaining great fortunes by quick adventures, will dare to engage in large undertakings.

5587. Will that account for the more speculative principle of trade during the last few years?—A great deal of what may be called the speculative principle of trade may be accounted for in another way; men of real capital do not like to hazard it in any uncertain undertakings; but young men who are eager to get forward in the world, and who are willing to live poorly and lowly, and to do a good deal of work themselves, by acting as their own clerks and warehousemen, may effect sales, and get bills discounted, and so keep up their credit till they beat their former employers out of the market. I believe that our commercial character has completely changed in that way, and the men who have succeeded of late years have, in many cases, been the enterprising and active, and sometimes the unscrupulous servants of those whom they have superseded. They could do things which a higher class of men would not like to do; they could beg for business, sell for a lower profit, and run greater risks, since after all they could but fail; now, the other class of men, the better class, of whom I am sorry to think that so many have failed or withdrawn from business, and many more will go, is getting very much reduced in number.

5588. Has it at all come within your knowledge that commercial men of substance, wearied out with these repeated panics, are entering into a liquidation of their commercial affairs?—I have reason to believe so.

5589. You alluded to the period during the war; did not those commercial pressures

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pressures occur during the war as well as since?—They occurred but seldom, and not with that intensity of suffering with which they have been attended since. During the war, prices were high; men freely embarked in great adventures, and met with considerable profits; it was only now and then that they experienced great reverses. The Berlin and Milan decrees were esteemed a serious blow to trade and commerce, and at first injured a great many people, but they also afforded an opportunity for great speculation, which was beneficial to many other people; for, after all, the country could not be deprived of what it wanted from abroad, nor could foreigners be debarred from getting goods from England in return.

5590. What were the causes of distress in 1810?—The Berlin and Milan decrees; the failure of the crops; the consequent high prices of corn; and the export of gold to pay for our foreign expenditure.

5591. At that time our paper was not convertible into gold?—If we sent some of our gold abroad, we also got back a further quantity from abroad. In 1809, our foreign expenditure cost us as much as 10,285,000*l.*, and our imports of corn 2,705,000*l.*; in 1810, our foreign expenditure amounted to 12,372,000*l.* and our imports of corn cost us no less than 7,077,000*l.*; thus, in two years we spent as much as 32,000,000*l.* on the continent, all which cannot be supposed to have been paid in gold, since the bullion in the Bank was not more in 1809 than 4,488,000*l.*; in 1810, 3,501,000*l.*; in 1811, 3,350,000*l.*; and 1812, 3,099,000*l.* The payment, in reality, was effected chiefly by our mercantile exports and imports; and it would be so again under similar circumstances, if we were not laid under the necessity of paying in gold, by our present system of currency. If at this time we had not any gold in the country, and if the foreigner required gold in return for his corn, there are a number of merchants in this country who would be very glad to import that gold for us in return for other commodities; but the foreigner would be just as well satisfied to take bills; he would be satisfied to realize the price of his corn in the country in which he is living, by means of the bills which we sent to him.

5592. Do you consider that the system existing during the restriction of cash payments was a perfect system?—As it stood during the war I do not think it was a perfect system. I think that there was placed in our power a very wonderful piece of machinery, the use of which we did not fully understand; it served our purpose admirably well, but we continued to use it to the end without seeing what great advantage that paper-money was capable of conferring upon us. We had gone on for a great many years, centuries I may say, with an imperfect system of metallic money, assisted by paper-money of various kinds; but it was never a perfect system of currency; even before 1700 it was liable to abuse; it was never equal to the system we might have in action now, and when we were driven to the use of a legal tender paper in 1797, we did not see what a powerful instrument of good this paper-money might be made; we looked upon it as an evil rather than an advantage; and, therefore, at the end of the war we were anxious to get rid of it. Had we known its power, we might as well have got rid of the use of iron, zinc, or any other commodity which we can now convert to a thousand useful purposes of which our ancestors had no conception; we might as well have given up the advantage of the power of the steam-engine as the power of paper-money.

5593. Perhaps you think that, like fire and water, paper-money is a good servant, but a bad master?—I think so; no less many and great are the advantages which paper-money may have without any corresponding disadvantages.

5594. Provided it is limited in its quantity?—Yes, and that limit let the Legislature determine.

5595. With regard to pressures during the war, do you remember any other pressure of any severity but that of 1810?—I think there was no other commercial pressure of any great severity at that time.

5596. Were the pressures then as general upon the whole community as they have been since?—I do not think they were.

5597. You imagine that pressures will, under all circumstances, happen to particular classes of produce?—They will; but I do not think that there was anything like our recent commercial distress. With regard to the quantity of corn imported in different years, there was in the years 1800 and 1801 a remarkably great importation of corn.

5598. Was there a great degree of commercial distress accompanying that importation?—There was great general distress; the corn of this country was of

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had quality as well as deficient in quantity; but there was no commercial distress in particular.

5599. The increased price of bread, from whatever source, must always lead to the distress of all classes; but was there a general commercial distress and panic in 1800 and 1801?—There was not a general commercial distress; benevolent companies were formed for the sale of flour, meal and bread, at reasonable rates, which had the sanction of Parliament, in order to mitigate the general calamity; and there was a great deal of sickness in consequence of the bad quality of the corn of this country.

5600. Would you state that as an instance of there having been a state of things which pressed very severely upon individuals, but which did not cause any such general commercial pressure and panic as existed in 1847?—I should give it as an instance of that kind. In the course of 1800 we imported 2,135,000 quarters of corn, of which 1,263,000 quarters were wheat. In 1801 we imported 2,405,000 quarters of corn, of which 1,424,000 were wheat. The price in 1800 was 110s. 5d., on the general average; in 1801 it was 115s. 11d.; in 1799 it was only 66s. 11d., and in 1802 it was 67s. 9d. We may learn from the way in which we paid for this large importation, what degree of commercial distress it inflicted upon us. The excess of exports above imports in official value was, in 1798, 2,199,000*l.*; in 1799, 5,489,000*l.*; in 1800, 6,123,000*l.*; in 1801, 4,403,000*l.*, and in 1802, 9,564,951*l.*; the proportion of exports above imports was 9 per cent. in 1798, 23 per cent. in 1799, 22 per cent. in 1800, 14 per cent. in 1801, and 34 per cent. in 1802. These figures show how lightly, in comparison, that great calamity pressed upon the people of this country in a commercial sense: it did but cause us to send abroad an increased quantity of exports to the amount of 3,200,000*l.* in 1799, 4,000,000*l.* in 1800, 2,000,000*l.* in 1801, and 7,000,000*l.* in 1802. With this supply of goods we paid for 4,500,000 quarters of corn; but at that time there was no Act of Parliament in existence subjecting us to a compulsory payment of gold. The Bank had in 1799 a considerable quantity of gold in its coffers, and it was not anxious to increase its store. In 1800 the bullion in the Bank amounted to 6,144,000*l.*; in 1801, to 4,640,000*l.*, and by the end of 1802 it was reduced 3,891,000*l.*, showing a difference of 2,253,000*l.* This was the whole effect on the Bank of that large importation, but the thing was not infinitely better by the export of goods than it could have been by gold. Commodity went against commodity, and the increased quantity of exports was, in the end, rather an advantage than a disadvantage to this country.

5601. We found no difficulty, then, in balancing the payments by sending goods for goods?—None.

5602. How will your plan of legal tender paper-money operate so as to allow the notes to be brought into circulation?—The Government, if it were to issue to the amount of the annual taxation, through the medium of its own payments, would effect that easily enough. Whatever might be the place of issue, the Treasury would draw checks or issue warrants for the payment of certain sums at that establishment, which sums, consisting principally of payments of dividends to the public creditors, and monies claimable for stores and services by every class, would be paid in the legal tender money; thus, in the course of one year, the whole of the money would have gone out, and when any portion of it had been out one year, that portion would come in again for taxes exactly as another year's payments began to be entered upon.

5603. *Mr. Spooner.*] You say it would remain out a whole year; but would it not go out every quarter, and come in every quarter?—If you made use of a smaller quantity, it might go out and come in every quarter; but, according to the view I have taken, we should have one year's taxation constantly absent, to allow it time to penetrate to the remotest parts of the country. In the first year the money that the Government is now receiving would continue to be paid in. In the second year that other kind of money, the legal tender paper-money, would begin to be payable, and would supersede the use of the present currency in discharge of the taxes, by occupying its place. I am supposing it to be desirable that this legal tender money should be kept out, to save the expense of interest. I do not know any other reason why it might not come in earlier. It would be a question for Parliament to determine, whether it might be necessary to provide with regard to every note that it shall be required to be out for 12 months before it comes in, or whether it shall be taken in as much earlier as people choose to offer it.

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5604. Is it your plan that the Government issuing money through the medium of its own payments, should issue a note which it should not be bound to receive back until the end of 12 months, or which it shall be bound to receive in any payments which may be made to it during the year?—I prefer, only for the sake of economy, that the Government should not take back the money till the end of the first year; with the money which it is now in the habit of receiving, it would pay off its debt bearing interest; we might then have a large expenditure, say 50,000,000*l.*, or more, without the necessity of paying any interest for the notes which represent it.

5605. What it now receives is the money which the Government pays in the payment of its dividends in the shape of bank notes; if it paid its dividends in the shape of its own notes, it could not receive bank notes, the money which it is now in the habit of receiving, because the bank notes would not be brought into circulation?—The Bank of England now issues its notes to the extent of its holding of Exchequer bills; and so far the Government would be precluded from the necessity of paying interest to the Bank for the notes it issues on this security. The Exchequer bills which the Bank now holds are probably not of greater amount than 18,000,000*l.* If 18,000,000*l.* be the amount of the issues of the Bank of England, and if, according to my plan, a legal tender paper-money to the same amount were issued by the State, the Bank of England would still be free to issue its own notes in discounts to whatever amount might be necessary to supply the commercial wants of London, and its vicinity for 65 miles round.

5606. Would the Bank of England note cease to be the note which paid the dividend?—It would.

5607. Then it would cease *pro tanto* to be in circulation?—I do not see why the Bank of England should not still have its own notes in circulation in its own district; the amount would depend upon what discounts might be required.

5608. In what way do you suppose that the Bank of England could get out its notes to the amount of the dividend which now takes out those notes?—I do not think it is necessary that it should get out the 18,000,000*l.* which it has out now.

5609. If it ceased to issue the notes that it now issues in the same proportion, the Government must come in instead of the Bank of England note at the end of the quarter?—It is possible that with your view you may be correct; but in either way, neither the Government, the Bank, nor the public, would be injured. The Bank could employ its money which was not wanted to pay dividends in providing a local currency for the metropolis and its neighbourhood, independently of the use of the Government money, which would not be found in too great abundance, because there would be a great quantity of legal tender paper-money required to take the place of the gold pounds that are now circulating throughout the country; a large amount would be absorbed in filling up the void thus caused in the local circulation of the various districts. The legal tender paper, moreover, would not readily be parted with by those who held it, if it were issued to a limited amount. It would fall into the hands of the country bankers and the Bank of England, who, when they were called upon to take up their own notes which had been issued in the discount of bills, would offer the legal tender money in exchange for their own paper.

5610. Do not you think it advisable that the notes should be issued by the quarter, and should come in by the quarter?—I would leave that to be determined by Parliament. As regards the amount of legal tender paper-money which should be issued, I have stated already that it could not be carried beyond the amount of annual taxation without depreciation, but within that amount it is safe; and Parliament must determine whether, with a view to economy, it shall be issued yearly or quarterly.

5611. Do not you think that your own plan would be more perfect if you said that the Government should pay all its expenditure authorized by Parliament, either in the shape of dividends, or in any other way, by means of a legal tender paper, which should be legal tender paper-money with everybody, and legal tender paper-money to the Government in the payment of the taxes?—That is what I have proposed.

5612. If that was so, would not the effect be, that, instead of having a circulation which would be much more than you wanted, it would be the average of a quarter's circulation; taking 50,000,000*l.* to be the annual expenditure, there

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would be a circulation of Government paper to one-fourth of that amount?—I am willing that it should be issued to the amount that Parliament might determine; they would hear the arguments on both sides. I have mentioned a sum as low as 14,000,000*l.*, I am perfectly willing that it should be a higher sum, but let it be left open to the determination of Parliament; there is no advantage in making it too much or too little. All I was anxious to show was, that there would be no danger of this paper being depreciated, if it were issued to an amount not exceeding the annual taxation of the country.

5613. *Mr. Thornely.*] Then, as I understood you, you do not object to a Government issue of paper as a legal tender to the amount of the annual expenditure of the country, about 50,000,000*l.*?—I do not object to that amount, nor should I disapprove of any smaller amount, but I would by no means admit of a larger amount, and I state that limit, as showing the principle of the thing; because if the issue exceeds that amount, there will be a violation of the principle, which in time will cause a depreciation; but if every note be withdrawn annually, it can never of itself incur any depreciation; that is the principle which I should wish to see established, and within that compass I would let Parliament decide what the amount shall be.

5614. *Mr. Cayley.*] Then you refer the amount of the currency to the amount of taxation; have you any tables to show what the amount of Bank of England notes was in proportion to the taxation before the war, during the Restriction Act, and since the return to cash payments?—The average annual proportion of Bank of England notes to taxation, reckoned in periods of seven years each, was, from 1784 to 1790, 60 per cent.; from 1791 to 1797, 58 per cent.; from 1798 to 1804, 50 per cent.; from 1805 to 1811, 42 per cent.; from 1812 to 1818, 50 per cent.; from 1819 to 1825, 38 per cent.; from 1826 to 1832, 41 per cent.; and from 1833 to 1837, 39 per cent. The average proportion, before the Bank Restriction Act was passed, of Bank of England notes to taxation, was 58 per cent.; during the Restriction Act it was 47 per cent.; and since its repeal it has been 39 per cent.; but if we include the income tax in our calculation, the proportion then will be, both during the Restriction Act and since its repeal, 39 per cent., that being the proportion from 1798 to 1818, as well as from 1819 to 1837.

5615. What conclusion do you draw from that table?—That the Bank did not extend its issues improperly during the war; that it was not fairly chargeable, therefore, with causing any depreciation of paper-money by the extent of its issues; in fact, that it was far more moderate in issuing its money after the Restriction Act, in proportion to the exigencies of the State, than it was before the Restriction Act was passed.

5616. In testing the value of paper by commodities or gold, would you not say that there was a depreciation?—In testing its value by commodities, I should say that there was what is called depreciation; but I think that this is a very improper term to use, because it conveys a wrong impression: if you add a third element to the value of commodities, whereas previously you included only two elements in the cost, the raw material and the labour—if you add to those two elements taxation as a third, with the understanding that the parties who pay the taxation are to charge it again on the commodities which they produce, you have no right to expect that such commodities will not increase in price; and if they do increase, it is not right to say that the paper-money which represents that price is depreciated, as tested by commodities.

5617. They require more money with which they may be measured?—Commodities require a higher price to represent them when taxes are added to the raw material and labour than they would require if the raw material and labour were alone to be considered.

5618. Then the higher price you consider requires a higher representative of value?—I do not know that the higher price requires a great deal more paper-money to represent it, because if it did require it the banks have not supplied it; country bank notes were issued in greater quantity during the war, but the Bank of England does not appear to have issued a much greater quantity. There are many ways by which the use of notes may become economised, and an increase of price be effected without a corresponding increase in the paper of the country. An increase in the number of banks, with the general introduction of joint-stock banks, facilitates the payment of accounts by cheques; and the use

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of the clearing-house is also of very great consequence in superseding the necessity for paper-money.

5619. Were not Exchequer bills issued in excess during the war?—They were not issued in excess, if we regard the proportion which they bore to taxation. I should have thought that if the Exchequer bills issued during the war had been issued for certain small amounts instead of large amounts only, they would have furnished a very convenient circulating medium for the use of the country.

5620. Have you a table of the proportion?—I have the proportion of Exchequer bills to the circulation of the country; that is one of the calculations which I have made. I see also there is another calculation, the proportion of Exchequer bills to the annual taxation. The proportion of the whole unfunded debt, that is, the whole amount of Exchequer bills, to the annual taxation of the country was, from 1792 to 1797, 72 per cent.; from 1798 to 1804, 63 per cent.; from 1805 to 1811, 62 per cent.; from 1812 to 1818, 80 per cent.; from 1819 to 1825, 67 per cent.; and from 1826 to 1832, 53 per cent. Thus the proportion was less from 1798 to 1811 than either before or after that period; yet that term of 14 years includes the time when a great increase of paper-money was required. The whole period from 1792 to 1832 shows the proportion of the unfunded debt to taxation to have been 66 per cent., if we include the income tax, and 72 per cent. without it. If, therefore, the whole amount of Exchequer bills issued had formed the circulating medium of the country as legal tenders, every note would have been withdrawn by means of taxation in the course of eight or nine months from the time that it was issued.

5621. What relation is there between the Exchequer bills and the circulation?—From 1779 to 1783, nearly the whole period of the American war, Exchequer bills averaged 7,879,450*l.*, and the Bank circulation, 6,598,830*l.*; from 1784 to 1788, Exchequer bills, 8,011,256*l.*, and the Bank circulation, 8,007,220*l.*; from 1789 to 1793, Exchequer bills, 10,345,459*l.*, and the Bank circulation, 11,219,762*l.*; from 1794 to 1798, Exchequer bills, 10,536,912*l.*, and the Bank circulation, 10,738,100*l.*; from 1799 to 1803, Exchequer bills, 12,366,230*l.*, and the Bank circulation, 15,214,750*l.*; from 1804 to 1808, Exchequer bills, 13,788,176*l.*, and the Bank circulation, 18,271,882*l.*; from 1809 to 1813, Exchequer bills, 20,571,425*l.*, and the Bank circulation, 23,102,004*l.*; from 1814 to 1818, Exchequer bills, 27,925,850*l.*, and the Bank circulation, 27,624,322*l.*; from 1819 to 1823, Exchequer bills, 17,171,427*l.*, and the Bank circulation, 21,708,670*l.*; from 1824 to 1828, Exchequer bills, 18,054,001*l.*, and the Bank circulation, 21,039,926*l.*; and from 1829 to 1832, Exchequer bills were 19,907,152*l.*, and the Bank circulation, 19,592,502*l.* From this statement it appears that for the 20 years, from 1779 to 1798, which is as far back as the published returns extend, the annual average amount of Exchequer bills held by the Bank was 9,193,209*l.*, and the average amount of bank notes issued was 9,140,978*l.* From the passing of the Bank Restriction Act to the end of the war, the notes exceeded the Exchequer bills held by the Bank almost to the amount, at times, of the rest or floating capital of the Bank; but from 1814 to 1818 the old proportion was restored. After the return to cash payments the rest was again called into action; but from 1828 to 1832 the Exchequer bills held were again equal to the circulation. With the exception, therefore, of an occasional issue of notes nearly to the amount of its rest or floating capital, but never exceeding it, the Bank of England, from 1779 to the present time, has issued its own notes merely as substitutes for large Exchequer bills issued by the Government, for which substitution it has been paid interest to the amount of about 50,000,000*l.*

5622. Then the Bank circulation has been merely a substitute for Exchequer bills?—Merely a substitute of its own small notes for large Exchequer bills issued by the Government.

5623. And in the same way this legal tender paper-money would be a substitute for the large Exchequer bills?—Yes, the large Exchequer bills would not in that case require to be issued.

5624. What would be the effect of the issue of this legal tender paper-money upon the price of gold?—The first effect would probably be a rise in the price of gold, but I do not think that it would long continue—it would be desirable, however, that the country should have the benefit of that difference, whatever it might be; I think that if legal tender paper-money were issued, the Government should attach the gold in the Bank, that if it did sell for more in legal tender paper than the Mint price, the State itself should have the benefit.

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5625. Do you mean that a higher value would be given for it by the foreigner in other commodities?—The foreigner would not give a higher value for the gold than he now does, but he would sell his goods in this country for an increased price in our paper-money; and if the foreigner could then go to the Bank, and demand gold for every pound he had got in paper, he would take away more property than would be a due return for his goods sold to us. At the end of the war bills were drawn on England for 130*l.* from Hamburgh, which were intended to bring back 100*l.* in gold; now, if the parties holding those bills had had the privilege of going to the Bank with the notes in which they were paid when due, and taking away 130*l.* in gold, they would have gained 30 per cent. more than they expected to gain when they made their bargain for the goods sold. But when, at the end of the war, we began to return to cash payments, before prices had fallen in the degree they have since done, all those parties who had bills running on England, did go to the Bank and get gold at nearly the Mint price, by which many received, if not 30 per cent., at least a considerable sum in gold more for their goods than they had a right to receive, to the great detriment of this country.

5626. You call the legal tender paper-money a pound sterling; will you explain that term?—I make use of the word "pound sterling" because it has been the term current in this country for a perfect pound from the earliest period. A legal pound in this country has always been called a pound sterling. The pound has varied in intrinsic value from 4*l.* 16*s.* to 1*l.* of our present money; but it was never known by any other name than a pound sterling. It had that title during the late war. If therefore the legal tender paper-pound should vary in value in comparison with gold, I do not think we ought to give up calling it a pound sterling. Foreigners know it by that name; it is the same to them as calling it an English pound.

5627. Under the system you propose, if gold went abroad, should we not have to give a greater value for it in other commodities in order to bring it back again?—No, we should not give a greater value, because the gold value of all commodities is their natural value.

5628. Whatever be the currency, it is a mere barter of one commodity for another?—It is.

5629. Do you intend that we should have no gold coins in this country?—I trust we shall always have gold coins in this country; we require them, however, only for the purpose of carrying on our foreign trade. They would be of no use to us, except as articles of ornament, if we had a legal paper-money; but I should still wish us always to have the gold pound. I do not think it would enter much into circulation, for the price would probably rise higher than the level of paper-money, which would cause the gold to be abstracted. Foreigners would come to this country with their goods, and would get for them, say 120*l.* in paper-money, and if they could then exchange every pound they had received for a sovereign, they would take it away, and realize 20 per cent. by the transaction: we suffered in this way under the metallic coinages of earlier periods; when we had a depreciated silver coin, the foreigner who came to this country with his goods sold them for a higher price in consequence of that depreciation; he then called out the heavier coins, or exchanged the lighter for those which were more nearly of full weight, which was not objected to, because the inferior coins still held in this country the same nominal value as the heavier, and our people therefore did not feel the injury; thus the country was subjected for many years to great loss by the constant export or withdrawal of that heavier money. I should therefore say that I think the gold coins, if they were made to circulate with legal tender paper-money, would in like manner be picked up and carried away to our own loss, and the advantage of the foreigner. I would recommend that the gold money of the country should be taken to the Mint by its owners, and that the Mint, in return for every ounce deposited in its charge, should give a bullion-note, promising to restore the party, who presented it for payment, one ounce of gold; that these notes should be given to all parties who brought gold to the Mint; and that these notes, pledging the Mint to return to the bearer the same weight of metal, should be allowed to circulate and be sold in this country for whatever might be their value in the paper-money of the realm. These notes would then be made use of for the discharge of the balances of our foreign trade; they would be deemed as valuable a property as the precious metals themselves in all parts of the world to which they might be sent; all men would regard them as the title-deeds

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of an estate which they kept in their own hands; and when they parted with them they would transfer that property from one to another, without the cost and hazard of the transmission of the precious metals themselves. It is well known that under our present system, whenever gold is sent from England to pay the balances of foreign trade, it has to come back again before long to perform the same function in this country; we should put an end to this practice. The gold goes away as the representative of some commodities which are intended to be supplied; it occupies the place of those commodities in the interim, and when they are supplied, as they always are sooner or later, then the gold is brought back again, being returned, most likely, to the place from whence it was first issued. Instead of all this trouble and hazard, which is attended with considerable expense, the parties would, by receiving the bullion-notes, become the owners of the precious metals represented by them; and the notes themselves would perform all the duty of discharging the balances of foreign trade, and adjusting the exchanges, which has been heretofore done by little casks of gold being sent from one country to another.

5630. Mr. Spooner.] Would you make the note given in exchange for bullion a legal tender?—Yes; because I should say that every gold pound is also a legal tender.

5631. Would it not often occur, when the balance of trade had been in favour of this country, that a great many of those notes representing gold would be in circulation?—It is very possible they might be.

5632. If they were in circulation, would they not, in common with the Exchequer money, find their way into the hands of the Government in payment of the taxes?—It would be so if they got into general circulation.

5633. And when they found their way back to the Government, would you advise that the notes should be cancelled, and not paid out again; and by that means would you not get a gradual deposit of gold in this country?—I do not know what to say to that; there is no advantage likely to accrue to the country from Government having a quantity of gold lodged in the Mint; we should be losing the interest on that amount.

5634. There would be no interest lost in that case; the parties would pay the notes in for taxes, and those notes would be cancelled, and the Government would issue out legal tender paper to the same amount; therefore there would be no loss of interest; the notes would be received by the Exchequer as money, and the only expense would be the expense to the Exchequer of making the notes?—I do not like the idea of Government being engaged in the buying and selling of bullion.

5635. But they would merely receive the notes in payment, and cancel them?—They would receive them in payment, and cancel them; but the bullion which the note represents being lodged in the Mint, would belong to the Government. For every note cancelled the Government has got an ounce of gold, and what is it to do with it?

5636. Might it not retain that gold till the balance of trade was against this country?—I would rather the Government had nothing to do with it, but that they should leave it to individuals to supply the gold when it is wanted.

5637. Mr. Cayley.] Would not this continual abstraction of gold from our own country lead to a panic among ourselves?—There could be no panic under this system.

5638. How would a run upon the Bank, and a consequent crisis be prevented, since all persons who possessed bullion-notes might obtain gold on demand at the Mint?—The bullion-notes would be bought and sold just as gold; they would be the same as the gold itself. There would, therefore, never be a run upon any one for gold. Panics take place when men want to get hold of a commodity which is essential to their safety, and which they think will hereafter be dearer, if not impossible to be had. This causes every one now to strive to anticipate others in obtaining it, fearing there will not be a sufficiency for all; but as the bullion-notes will always be in the market, and any one may at all times have them at their proper value, there will be no undue eagerness on the part of the public to possess themselves of them.

5639. Could not the holder of a bank note always obtain gold for it at a Bank of Issue?—Certainly; but not always on demand. He might obtain gold with the consent of the party issuing the note, but he must then buy it at the market price; the country banker who issued the notes would otherwise offer him a legal tender note, and not gold. If the party applying said, "I want gold for a particular

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ticular purpose," the country banker would probably give it him at the rate at which he could buy it again in the London market; that would be the result of the application.

5640. Would it not be desirable also that silver bullion should be taken in deposit at the Mint, and represented by bullion-notes equally with gold?—It would be equally desirable.

5641. What would be the value of the pound sterling under this system of currency in our own country?—The pound sterling would always represent and be the value of 1*l*. The legal tender issue of the State would be that pound by which all the transactions of this country would be regulated. Men would pay their rent and taxes and exchange all their commodities with each other in that pound, or in accordance with it.

5642. What would be the value of the pound sterling abroad in our dealings with foreigners?—It would be that quantity of gold which the pound sterling was found to represent upon the last quotation of prices in the "London Gazette."

5643. But the foreigner might not know what was the Gazette price of gold when he made his engagements?—It would be his own fault if he did not know it; but what he would probably look to would be the quantity of legal tender money in England for which he should sell his goods; he would not always care to have his equivalent in gold. It was thus that he conducted his affairs during the war, though the exchange was often much against this country; he did not buy and sell according to the gold value, but according to the English paper value; and hence was found, side by side with the occasional depreciations of the English money, a sudden rise in the quotation of the exchanges; the fact being, that bills circulating freely between the two countries, the higher price in England created no obstruction whatever to those who were buying and selling goods. A merchant at Hamburg, or elsewhere, in general looked only to the quantity of English money he should receive, and if at the same time it represented the same quantity of gold which he expected he could obtain for it, the paper money would answer his purpose quite as well as the gold coin, and he would make his bargain in it, though the price of gold in London were 4*l*. 12*s*. per oz. instead of 3*l*. 17*s*. 10*d*. Mr. Abraham Goldsmid, in his evidence before the Balfour Committee in 1810, states, that at that time a bill on England for 460*l*. could be purchased at Hamburg for 100 oz. of standard gold; and that 100 oz. of standard gold could be purchased in London for exportation for 460*l*. But when asked whether, according to this principle, it does not follow that bank notes must be depreciated, he replies, "I never considered bank notes as depreciated."—"Do you not consider gold and silver as the only regulators of the exchange?"—"No, I do not; I consider the exports and imports of the country as the regulators of the exchange;" and he was right. Whether the 100 oz. of gold were reckoned as worth 3*l*. 17*s*. 10*d*. an ounce, or 4*l*. 12*s*. an ounce in English money, so long as the two transactions were reciprocated on equal terms, it was a matter of indifference to the foreigner whether the one or the other of these two modes of adjusting the account were adopted. Instead, therefore, of having to draw a bill on England for 46*l*. 14*s*. 6*d*., he would have to draw one for 55*l*. 4*s*. to represent the same transaction. The lowest depression of the exchange on Hamburg was in the year 1811, when it fell to 23*s*. 6*d*., being nearly 33 per cent. below par; but it recovered itself in 1814, when it had risen to 33*s*. 1*d*.; and in 1815, when it was as high as 33*s*. 4*d*. The exports and imports had been in the interim the regulators of the exchange, as Mr. Goldsmid stated, and not the export of gold coin or bullion; for the Bank was still restricted from taking up its notes in gold.

5644. You appear to think that no inconvenience would arise from having two different pounds in use at the same time?—We did not experience any inconvenience during the late war, and I do not know why we should find any now. In reality, during the late war we had a system much less perfect in its operation than that which is now proposed. Our gold and silver monies circulated at that time at so great a difference of value one from the other, that we had far greater inconvenience to encounter than we should now have. We had then a greatly depreciated silver money. It is mentioned by Mr. Vansittart, in 1811, that "a note for 5*l*. may be paid, either in silver, new from the Mint, and weighing according to the average weight 19 oz. 7 dwts. 2 grs.; or, in 20 crowns, weighing 18 oz. 4 dwts. 7 grs.; or in 40 half-crowns, weighing 17 oz. 8 dwts. 2 grs.; or, in 100 shillings, weighing 14 oz. 13 dwts. 9 grs.; or, in 200 sixpences, weighing

weighing 13 oz. 3 dwts. 3 grs. The sum of 25*l.* may be legally discharged in sixpences, weighing 5 lbs. 5 oz. and 15 dwts; but to pay 25*l.* 0*s.* 6*d.* would require no less than 8 lbs. 15 dwts. of the same coin. Now, I would ask my learned friend (Mr. Francis Horner), which of these different weights of silver, all of which would be equally a legal tender, is the true standard? But in 1797, when my learned friend admits the true standard to have existed, the case was still stronger. The Act of 1774, by which the legal tender of silver money was limited to 25*l.*, a limitation then first introduced, had expired in 1783, and was not revived till 1798. Therefore, at the very time when our standard is supposed to have been most perfect, silver money, of whatever weight, might be tendered to any amount; the whole interest of the national debt might have been paid in crooked sixpences if the directors of the Bank had thought fit. It is said that in 1745 they actually had recourse to such an expedient for a temporary purpose, and it was perfectly legal for them to do so.¹ In the system now proposed of a perfect legal tender paper-money, there would be none of these anomalies; we should have an avowed difference between gold and paper open to the whole world, and recognized by every one; and no one man would be able to take advantage of another in any transaction. We can justify such a measure, because it is necessary as the only means of returning our industrious classes the taxes which they have paid upon the faith that they should have them returned to them. What greater claim can there be upon the State than to do justice to those men to whom we have made that promise, but which we have since departed from, and the consequence of our departing from which has been to make the poor man pay all the taxes.

5645. When may we expect that the paper prices and the gold prices will be the same?—Whenever our indirect taxation can be brought down so low that our productive classes can pay it without requiring to have the difference charged on the purchaser by an increased price for goods beyond their gold price.

5646. Would not the foreign exchanges be once more against us if we were to return to a system of paper-money which would allow our producers to add taxation to natural prices?—There is a great mistake in the public mind with regard to the foreign exchanges. The foreign exchanges being “against us,” is supposed to imply some disadvantage to this country; on the contrary, if rightly understood and used, it is the means of saving us from loss.

5647. Will you explain in what way it so operates?—When the foreign exchanges are said to be against us, one reason is, because we have bought goods to a greater amount from foreigners than they have bought from us; when that is the case, gold or silver is liable to be sent abroad to restore the balance, after which it may chance that the exchanges take an opposite direction, and are “in our favour,” as it is called, and then we receive our gold or silver back again; these alternations are called variations in the course of exchange. But there is another condition of things in which the foreign exchanges may be said to be against us, and that is, when our prices in paper-money are universally higher than they have previously been in our dealings with other countries; these cause a variation in the par of exchange; the exchanges are then against us, because the foreigner does not recognize any difference between our paper pound and our gold pound, if he can get the one exchanged into the other, and when he has sold us his commodities for the higher price, he will take away our gold, instead of our goods, and with that gold buy the same goods at a cheaper rate in other countries, or he will wait till we are willing to offer him our own goods at a lower rate to bring back the gold, and so restore the balance of our foreign trade. We then find out that our paper pound is a depreciated pound in comparison with gold, because it commands abroad so much less value in the precious metals. I have said before that our exchange on Hamburg was as low in 1811 as 23*s.* 6*d.* Flemish for the pound sterling, when the par of exchange was 34*s.* 3*d.*, which was a fall of 33 per cent.; but the difference then, when the Bank Restriction Act was in force, instead of being a loss to us, was a protection; it showed, indeed, that the value of the paper pound in our country was at that time only about 13*s.* 4*d.* in comparison with the gold pound, and it indicated that there was a corresponding rise in the price of all commodities among ourselves; if, then, a Hamburg merchant had sold any commodity, say wheat, in our market for those higher prices of ours, and could have taken away a gold pound for every paper pound, he would have done us a very serious injury; but as the exchanges

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were "against us," our pound was reckoned, in relation to gold, at so much less value, and thus he really took away at least no more gold than he was fairly entitled to in this country. These cases of an increase of price among ourselves either arose from our generally increasing taxation, or they were the signs of comparative distress caused by a scarcity of food: in the former instance, as arising from taxation, the foreigner had nothing to do with them; they caused a depreciation of our paper pound in comparison with the gold pound, but the difference was made up to him by the increased number of pounds which he received: in the other instance, arising from scarcity, we also paid him an increased price in paper, equal to the increased price of that gold which he had a right to require for his imports. But we did not subject ourselves to pay him on demand a gold pound for every paper pound; we thus saved ourselves from the loss of so much treasure as, if the exchanges had been equally against us, and we had our present system of cash payments, the foreigner would have been entitled to demand and take from us.

5648. Is there no fear that without some such check as the foreign exchanges are now found to give, our producers would charge too high a price for their goods to English consumers?—That is a very important question; it is, I think, the main question on this great subject. If we had no check to rely upon against an excessive rise of prices, in the event of our having recourse to a legal tender paper, I should be inclined to agree with Mr. Jones Loyd, that whatever might be the inconvenience, we must submit to place ourselves under the control of an absolute gold system; but I contend that there is no need whatever to be apprehensive of any such result; for why is it that men get the prices they do now? Every producer asks the highest prices he can obtain in the market for his commodities; why does he not get the highest price he asks? It is because some other man is willing to produce and sell the same commodities for less money. This competition among men who are all eager to sell, with the caution exercised among buyers who are equally unwilling to give too much, is the cause why, under our present system of currency, a proper price is at last obtained for every article; and so it would be under the proposed system.

5649. Would you have no check interposed?—The only check that could be required would be the same check that we have now, the check arising from the internal competition of people of the same country producing the same commodity, and willing to sell it for the lowest price against each other, with the check which the foreigner would bring to bear upon us by imported goods. The check of competition would be sufficient even if it were only the competition between people of our own country, but it is still more severe if we allow foreigners to enter into competition with our own producers.

5650. Should you say that any part of the English producers can escape paying taxes on commodities?—I think that no class of the community in this country can escape paying the taxes on commodities.

5651. Do not all English producers get the increased price returned to them?—They do not, because they cannot get it under our present system of gold money; gold can only represent the natural value of goods; the additional price required by taxation cannot be represented by gold.

5652. Did they not get an increased price returned to them during the late war, when the Bank issues were not governed by the exchanges?—They did get an increased price then. According to a work, intitled, "Tables of Taxation, Currency and Prices," published in the year 1837, they got an increased price for their commodities in the following proportions: taking the average of 90 of the principal articles of merchandise least influenced by improvements in machinery, which were sold from 1784 to 1790 for 100*l.*, the same articles were sold from 1791 to 1797 for 120*l.*; from 1798 to 1804 for 150*l.*; from 1805 to 1811 for 174*l.*, and from 1812 to 1818 for 177*l.* Then came the return to cash payments, and the price of those same 90 articles was reduced, from 1819 to 1825 to 125*l.*; from 1826 to 1832 to 104*l.*, and from 1833 to 1837 to 104*l.* This account is brought down to no later date. Hence it appears that commodities rose generally from 1784 to 1797, before the Restriction Act was passed, from 100*l.* to 120*l.*; during the period of the Restriction Act, 1798 to 1818, from 120*l.* to 177*l.*, after which time they fell first to 125*l.*, from 1819 to 1825, and lastly to 104*l.*, from 1826 to 1837.

5653. On what class of producers does this loss in price principally fall, or is it shared by all alike?—The loss falls first on the employer; he finds himself deprived

deprived of the price he expected for his goods, and then, as he must sell them for what he can get, he endeavours in future to diminish the cost till he can produce an article on which he can obtain a profit. To sell at a lower price, he must force his work-people to receive lower wages in proportion to the fall; and as a rise of prices was in the beginning required by taxation, if that taxation still continues to be paid, and he cannot get it returned to him by the purchaser of his goods, he must, if he would continue to produce them, make his poor workmen, in their diminished wages, or by lengthened hours of labour, bear the burden of that taxation which otherwise would ruin him, and reduce him to their level.

5654. Your opinion then is, that, in consequence of the prices of commodities not being sustained at the level of taxation prices, the pressure falls first upon the profits of the master, and then the master endeavours to squeeze the workmen; or do you mean that the taxation falls entirely upon the working classes?—I believe the taxation of this country so far as it is represented by the Customs and Excise (for I fear we must include the Customs as well as the Excise duties) falls mainly upon the poorer classes of producers.

5655. How can the poor man pay the customs on the import of luxuries which he never consumes?—He pays them in the diminished price of those articles which he produces, and which are sent abroad in return for them. He does not drink brandy or wine; but he helps to make the goods which are sent abroad to pay for the brandy and wine. Whatever may be the articles which come from foreign countries to this, and are charged with duty here, if we do not produce those articles, the foreign producer is able to sell them at such a price in this country as will free him from paying the duty. He sells them at their lowest natural value, their untaxed value, their lowest value in his own country; but this he can afford to do, because he can buy in return for them other goods which compensate him by their cheapness for the lowness of price of his own commodities. We fancy we can make the foreigner pay our English taxes; but they are all adjusted among ourselves. If we think to succeed in our attempt to put the taxes upon him, he baffles us by giving us for our own goods a price so much lower in return, as will compensate him for those taxes which he seems in the first instance to have paid.

5656. What proof can you offer that the poor men pay taxes upon goods imported for the rich?—The proof is found in the diminished value which we now get in return for the exports that we send out to pay for our imports. If the industrious classes of this country did not pay those taxes, they would still get the price which they received for their products when those taxes were charged upon them; but they do not get that price; there is a material difference in the proportionate price of our exports compared with imports, which difference is, I conceive, a loss borne almost wholly by the lower classes of producers.

5657. That was not the intention of the Legislature when it imposed indirect taxation?—Certainly not.

5658. Do you think indirect taxation should be got rid of, and that direct taxation should be imposed instead?—I do not think indirect taxation could be got rid of, and I do not think direct taxation could ever supply the place of it. I do not suppose, judging from the temper in which the people received the lately proposed increase of the property and income tax, that they would submit to our indirect taxation being converted into direct taxation.

5659. Would you say that the limits of indirect taxation had been reached in 1842, and that the limits of direct taxation have been reached in 1848?—Yes; I am convinced that under our present system of currency this is the case.

5660. Yet under the present system direct taxation is many millions short of what it was during the war?—It is less in amount, but heavier in effect.

5661. In order to enable the industrious classes who pay indirect taxation to charge it again, you conceive some system of currency, such as you recommend, must be established?—I think that indirect taxation cannot be got rid of, and that a system of paper-money which will cause it to work justly and equally must therefore be devised.

5662. Do you think that the system you advise is that which ought now to be established?—Yes. If at the end of the war we had considered what was the best system of money for the nation under its peculiar circumstances, and what would render most complete justice to all classes, we should, I think, have come

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to a different conclusion from that which we arrived at. Instead of this, we adopted a scheme which had been proposed in a work written when the merits of that system which it condemned could not have been sufficiently understood. The views of Lord Liverpool were, however, implicitly taken up and adhered to without any reference whatever to the wants or capabilities of the country. It was a scheme recommended by having the implied concurrence of the Bullion Committee. Whig and Tory, therefore, were in favour of it. It came ready prepared for use into the hands of parties who were anxious to make some change; they thought it was a scheme which might work well, and they resolved to carry it into effect at all hazards.

5663. Would your system be fair to the public creditor?—Perfectly fair, for this reason—the public creditor ought not to escape taxation; he did not escape it during the war; he paid taxes through the instrumentality of paper-money by the rise of prices; why should he at the end of the war have been allowed to escape taxation, by buying all his goods at the gold price, which would not include taxation?

5664. What do you think of the distress in the year 1847, as compared with the distress in any previous period, such as 1825?—I think the distress of 1847 has been far more intense than the distress felt at any former period; it has been longer continued, and more severe in its effects.

5665. More general in its effects?—I do not know that it has been more general in its effects; but in the places where it was felt, it was felt more severely. The effect of the present system is to accumulate pressure on one point; the blow is struck at the heart of commerce, wherever it beats most vigorously; it is most felt in London; but where the circulation is not so active, it is diminished in its effects. I do not believe that in London any panic was ever equal to the last.

5666. Have there been trades'-unions formed lately, in consequence of the distress?—Those men upon whom the taxation most heavily presses are constantly meeting in trades'-unions, and they are endeavouring to devise remedies. I have heard that a considerable number of those men are interested in the reform of the currency, and that they are trying to get up a petition to Parliament. They want to have what they call a social reform; they want to be raised to their proper level in the scale of society; they do not want to change their character. They are content to be working men still; if they are brewers of wood and drawers of water they would remain so; but they want to have a fair day's pay for a full day's work, without the vicissitudes of over-work, or no work, to which they are subject at present, and I think that such demands as these are very reasonable. These men look to an improved system of currency as a means of enabling them to get possession of those comforts which they consider they ought to have, and which they cannot get now.

5667. Did you hear of the delegates of 70 trades meeting together?—Yes, I have heard of those men meeting; they had a number of meetings, at which they stated their reasons for being dissatisfied with the present state of things, and they proposed various remedies; but I understood that the resolution they came to was, that they would petition Government in favour of an alteration of the currency. When they called a general meeting, a great number of the Chartists came among them, and they caused the articles of the charter to be added to their petition, contrary to the wishes of the delegates. Among the working classes of this country there is a great deal of good sense and forbearance and loyalty; but when there is a severe pressure upon them, and they see an example set them in other countries of successful resistance to oppression, I fear that unless their grievances be redressed, it will result in something exceedingly unpleasant. It strikes me that that is the case, from my observation of what has been passing in this town for many years past.

5668. Do you think that the honest labourer, desirous of doing his duty, and of getting forward and raising himself, has less opportunity of doing so now than he had at an early period of your recollection?—I think so; he has less opportunity of rising above the condition of a labourer.

5669. Do you think that there is a wider gulf between the rich and the poor than there was formerly?—I do.

5670. The rich are richer, and the poor are poorer?—Yes; that is the inevitable result of taxation being thrown on the poor.

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5671. You entertain that opinion, notwithstanding the great increase that has taken place in our foreign trade, and the increase of our exports?—With reference to the increase of our exports, I believe the late Mr. Rothchild expressed a great truth, when he said that the increase of exports was no proof of our prosperity; for a corroboration I would refer to the comparative returns of our exports and imports, in official value, in successive periods of five years each, before, during, and since the war. In the first five years, 1783 to 1787, the excess was to a small degree on the side of imports; afterwards it was all on the side of exports over imports—1788 to 1792 by 11 per cent.; 1793 to 1797 by 25 per cent.; 1798 to 1802 by 20 per cent.; 1803 to 1807 by 18 per cent.; 1808 to 1812 by 29 per cent.; 1814 to 1818 by 65 per cent.; 1819 to 1823 by 55 per cent.; 1824 to 1828 by 40 per cent.; 1829 to 1833 by 58 per cent.; 1834 to 1838 by 72 per cent.; 1839 to 1843 by 79 per cent.; 1844 and 1845 by 85 per cent. These figures show, that whereas at the beginning we gave in official value an equal quantity of exports for imports, we now give 85 per cent. more of exports than we receive in imports. The first great increase took place from 1814 to 1818, when the Bank was preparing to resume cash payments. It did not arise during the war, because our paper-money saved us then; but when we had determined to abandon paper-money, and to commence our present gold system, then began that severe pressure on the springs of industry which has continued ever since. In the five years from 1814 to 1818 the excess of payments by exports for imports was increased to the foreigner's advantage from 29 to 65 per cent.; it is now advanced to 85 per cent. In the last 30 years we have thus raised our payment for his goods from 100*l.* to 185*l.* for every 100*l.* we receive. If we regard the actual value given him annually each five years in surplus exports over imports, both estimated by their official value, we find it to be as follows:—for the five years, 1783 to 1787, nothing per annum; 1788 to 1792, 2,390,000*l.*; 1793 to 1797, 6,000,000*l.*; 1798 to 1802, 5,555,000*l.*; 1803 to 1807, 4,698,000*l.*; 1808 to 1812, 8,098,000*l.*; 1814 to 1818, 20,695,000*l.*; 1819 to 1823, 17,872,000*l.*; 1824 to 1828, 16,363,000*l.*; 1829 to 1833, 28,734,000*l.*; 1834 to 1838, 38,767,000*l.*; 1839 to 1843, 52,029,000*l.*; 1844 and 1845, 68,958,000*l.* The frightful increase since the war, and especially of late years, shows too plainly to what extent the industry of our labouring classes is annually sacrificed to uphold the present system of payments in gold. We have another kind of evidence to the same effect, in the comparison of the value of British and Irish produce and manufactures exported. Before the return to cash payments in 1819, we received for these articles a declared value which exceeded the official; the official value afterwards exceeded the declared. For the five years from 1819 to 1823 the official value exceeded the declared by 11 per cent.; from 1824 to 1828 by 22 per cent.; from 1829 to 1833 by 67 per cent.; from 1834 to 1838 by 72 per cent.; from 1839 to 1843 by 98 per cent.; and for the two years 1844 and 1845 by 122 per cent. Now it appears to me to be anything but a proof of the prosperity of the country that we should be found giving an increasing value every year for the goods we get back from the foreigner. Where are the signs of this prosperity to be found? We benefit the foreigner, I grant; but what man would be so foolish as to argue that he was driving a prosperous trade because he was every year giving a greater quantity of his goods for the same sum of money?

5672. May not that be partly accounted for by the improvements in machinery?—Even supposing that improvements in machinery have taken place to a very great extent, it is not possible that they can have produced these results. I do not know that I have anything to offer in confirmation of what I am stating more decisive than that those improvements in machinery which have been made, did not by any means take place at the periods of the greatest increase of the quantity of commodities exported at reduced prices.

5673. Is there not also a remarkable coincidence in the comparative diminution of the declared value with regard to the official, just about the period when the present system of currency came into operation; it would appear from the table you have read, that the official and declared value were nearly at a level in 1819?—Yes, they were actually so; the declared having previously far exceeded the official value. The difference of declared over official value in British and Irish produce and manufactures was the five years 1798 to 1802, 65 per cent.; 1803 to 1807, 85 per cent.; 1808 to 1812, 44 per cent.; 1814 to 1818, 16 per cent.

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cent; and for the single year 1819, 5 per cent. I may observe, that our greatest improvements in machinery had taken place before 1819, and yet we were permitted to realize a declared value higher than the official value up to that year.

5674. Is there anything further that you wish to state?—I do not know that there is.

5675. Mr. Spooner.] Do you see any chance of a permanent revival in trade under the present state of the circulation of this country?—I do not.

5676. What do you think would be the consequence of going on without a change for six months longer?—If something be not done at this particular crisis to raise the hopes of the lower classes, there will, I fear, be increased discontent, and I cannot but look forward with apprehension to those results which may take place.

5677. I believe you are very well acquainted with part of the county of Derby?—I know it tolerably well.

5678. Is there much distress there?—I do not think there is much distress there; I am also acquainted with the north part of Nottinghamshire, and I do not think there is much distress there. The people in these parts do not appear to have suffered much; the wages of agricultural labourers are about 12s. a week; but if we had that protection for native industry which a legal tender paper would afford, the condition of these and all other classes of labourers might be much improved.

5679. Are you acquainted with the present state of the town of Nottingham?—I know it only through the representations of others; I am acquainted with the Rev. J. W. Brooks, the vicar of St. Mary's, and with Mr. J. C. Wright, the banker, who has recently made inquiries into the extent of the distress, and has circulated the answers he received from clergymen and others, which reveal a state of destitution quite appalling. The facts stated by the Rev. J. Butler, rector of St. Nicholas, as to the comparative numbers receiving parochial relief, are very striking: 1844-5, there were in the house 605, out of it 1733; 1845-6, in, 604, out, 1,648; 1846-7, in, 710, out, 2,118; 1847-8, in, 1,030, out, 3,174. The rates in St. Mary's parish were, in 1845-6, 4s. 2d. in the pound; in 1847-8 5s. 10d. The arrears in 1845-6 were 3,880*l.*, with 1,387*l.* in the bank; in 1847-8, 7,400*l.*, with only 197*l.* in the bank. "The difficulty (says Mr. Butler) in collecting these arrears is unprecedented, and I have no hesitation in saying the pressure on the payers has increased in a more severe ratio than that upon the recipients. It is not the amount of rates that oppresses, but the incapability of paying them which presents the worst feature in the present state of things."

5680. Supposing that our trade should revive, and our labouring population should again get into employment, do you think that the prices of commodities would remain the same as they are now?—I think they could not permanently rise under our present system of currency.

5681. The first effect of a return to prosperity would be for all prices to rise?—Yes; but if all prices rose, gold would soon go out of the country.

5682. As soon as they rose to a certain height, gold would go out, and we should have the same panic over again that we have had for so many years?—Yes; but there may be some delay before the period of great depression comes again, owing to the caution imposed on the commercial classes by their former experience.

5683. Have you looked at all into what was the legal tender in the year 1797?—The legal tender in 1797 consisted of gold and silver coin to any amount; the guinea was not much below its proper weight, but the silver coins were very greatly deteriorated.

5684. As regards gold and silver coin at that time, were parties prohibited from melting or exporting such coin?—They were. That prohibition, which commenced in 1330, was continued till 1819, when it was abolished.

5685. In 1819 gold and silver were made a legal tender for everything under 40*s.*?—Gold was made a legal tender to any amount; the silver was restricted to 40*s.*

5686. And gold might be melted down and exported?—Freely, after we had been put to the expense of coining it.

5687. Do

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5687. Do you think that change added any considerable value to the legal tender?—It has been stated to have added to the legal tender a value of from 5 to 7 per cent.; the difficulty of getting the coin melted and carried away being so great before, that a man could not effect it under a less cost than from 5 to 7 per cent., to say nothing of the moral check.

5688. He ran a great risk, and of course he must do it at a price which would remunerate him?—Yes.

5689. And there was a moral influence which prevented all persons of character from doing it?—This added to the difficulty.

5690. Taking those circumstances into consideration, would you not say that it enhanced the value of the legal tender more than 7 per cent.?—Most likely it did; and taking into account the previous degradation of the silver coin, which was increased before 1819 in a still greater degree, the effect was very great.

5691. Then can we say that we returned in 1819 to the standard value existing before that time; did we not return to a standard which was much more severe to the debtor of the country?—Practically we did not return to any former standard of value.

5692. It was a new standard, and a much more rigid standard?—More rigid than even the Bullion Committee appear to have contemplated. They had in view the "restoration of the currency of the country to a state of regulation by its ancient metallic standard;" but these words cannot be understood to mean a standard which never before existed; a standard which excludes the silver and embraces only the gold coin. The gold coin alone was never our "ancient metallic standard;" yet Mr. Loyd speaks of the "re-establishment of our ancient metallic standard," as if he were fully convinced that the present gold pound alone constituted that ancient standard. I believe that so great a change as was effected by the Bill of 1819 was not even anticipated by its promoters; they thought that the same high prices which they had been receiving before in paper-money, they should now receive in gold; and nothing more than this was, in my opinion, looked for by most men as the consequence of that measure.

5693. Mr. Ricardo thought it would operate a difference of 4 per cent.?—Yes.

5694. Was that your opinion?—My opinion was that it would be productive of a great fall of prices and much misery. I had not then the knowledge which would enable me to state the precise difference, but I saw that it would be very considerable. It now appears that the average decline of prices has been no less than 44 per cent.

5695. Did you contemplate that it would be as little as 20 per cent.?—I stated in a pamphlet published in 1821, intitled, "The Restoration of Prosperity shown to be immediately Practicable," that "an ounce of gold ought to produce the holder 5*l.* 18*s.* of the currency of the country;" that "the necessity for its producing 5*l.* 18*s.* being the consequence of a greater proportion of paper in currency compared with gold, and that proportion having been brought into circulation and rendered necessary by means of repeated taxation, it must be a solecism in legislation to continue the taxes as before, and yet command the price of gold to be reduced; it is to force the pledges which constitute our paper currency out of our hands by one Act of Parliament, and by another to require us to keep those pledges in our own possession; yet this is intended to be effected by the Act which commands gold to be exchangeable for paper at the rate of 3*l.* 17*s.* 10*d.* per ounce, when, from the amount of paper-money which our taxation has brought into use, and which our necessities render indispensable to fulfil the national engagements, it should rather be exchangeable for 5*l.* 18*s.*" From this extract it will be seen that I estimated the fall in prices which the Bill of 1819 would produce as equal to one-third, or 33½ per cent. The remedy I then proposed as a means of immediately restoring prosperity was, "1. To allow the directors of the Bank of England to issue notes at their own discretion: 2. To require them to exchange those notes, on demand, for gold at the market price of gold: 3. To authorize the sale of gold and silver coin by any person, at any time, for any price, and in any quantity."

5696. Do you believe that the Act of 1819 has up to this time been carried out to its full operation?—In my opinion it has not been fully carried out.

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5697. Before 1844 it could not be carried out in its perfection?—Not in all its consequences.

5698. The Act of 1844 has done more to carry it out than had been done before the Act?—It was passed with that object.

5699. Under the Act of 1844 has it been fully carried out in all its completeness?—It was not permitted to be fully carried out in consequence of the letter of the Government.

5700. Had that letter not been written, and the Act of 1844 suffered to go on, what would have been the consequence, do you think, to the community at large?—Its probable effects on the community may be judged of from the remonstrance of the London bankers. I am only surprised that Government should have permitted the consequences to be carried out to the extent they were.

5701. You were residing in London at that time?—I was.

5702. Do you think if the Bank of England had offered a million of stock for sale in the stock-market on the day before the letter was published it would have been possible to effect that sale?—I do not think it would; but I am not competent to speak on that point.

5703. Have you looked at the amount which was then in the reserve of the Bank of England?—I watched it very attentively.

5704. Did you watch the amount of the deposits of bankers in the Bank of England at that time?—Yes.

5705. Supposing the letter had not been written, do you think it probable that the demands from the country upon the London bankers for their country correspondents would have compelled the London bankers generally to have reduced their balances in the Bank?—That was the impending danger; that was the expectation entertained.

5706. Do you believe that would have been the result?—I do.

5707. If that had been done, would the banking department have been in a state to have paid its notes in gold?—It would not.

5708. If the banking department had ceased to pay, do you think that that would have created such a run upon the issue department as to have endangered the convertibility of the note?—I think it would have led to extreme danger and frightful panic; but I am not aware that the public could have run upon the issue department.

5709. There are 14,000,000 *l.* of notes issued upon securities; the holders of those notes have a right to demand gold for them?—But they could not have got the gold; if the banking department had stopped payment, the Bank of England would have stopped payment.

5710. What was to hinder the holders of notes taking those notes direct to the Bank, and demanding payment for them in gold?—I am not aware that there was anything to hinder them.

5711. Was not that a likely event to follow the stoppage of the banking department?—If the stoppage of the banking department had taken place, I think there would have been universal confusion.

5712. Would there have been a run for gold upon the issue department?—Of course there would.

5713. If the Act of 1844 was intended to preserve the convertibility of the note, do you think it likely to preserve it, or do you think, from what you saw in 1847, that it did really preserve it?—I think it perilled it; I do not think it at all tended to preserve it.

5714. If the Act of 1844 was intended to prevent in such a case great alarm and panic, do you think it has answered the purpose?—I think not; the experience we have had of it would make people exceedingly suspicious of it, if it were to be continued.

5715. Do you think the first thing to restore confidence is to make a material alteration in the Act of 1844?—Yes, I am of that opinion; but I think an alteration in the Act of 1844 will not alone answer the purpose; I think we must go further, and consider the great question of the interests of the working classes.

5716. You have stated, that during the war, while there was inconvertible paper, we had two periods of distress: in 1810 there was a considerable panic?—There was a considerable panic in 1810, which caused the failure of 20 banking houses.

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5717. Was it not in that year that proposals were made by the Bullion Committee having for their object the restoration of payments in gold?—Yes.

5718. Do you not attribute in a great degree the panic which then arose to the alarm in men's minds created by the report of that Bullion Committee?—I think it did some injury; I think it produced a depression immediately afterwards, which continued to affect the wages of the working classes for some time after, and that it was felt by the agricultural interest very severely.

5719. Do you recollect the very great distress in the year 1822?—Yes.

5720. Do you recollect the measures which were proposed by Lord Castlereagh for alleviating that distress?—Perfectly well.

5721. Were not those measures virtually the abandonment of the Bill of 1819?—They were.

5722. While those measures were in operation, was not the prosperity of the country restored?—It was; and it was expected generally, that while the cause of the distress was so apparent, and the means of relieving it so obvious and easy, the panic of 1825 would never have been allowed to take place; for that panic arose from the prosperity of the three preceding years. The small-note Act of 1822 had permitted the prices of commodities in this country to rise above the level which is compatible with the payment of the Bank of England note in gold, at 3*l.* 17*s.* 10*d.* per ounce. This was the primary cause of that panic.

5723. Has that been the cause of every panic since?—I believe it has.

5724. Mr. Thorneycroft.] Part of your plan for the issue of inconvertible paper, to the amount of the annual expenditure of the country, I presume would be, that you would pay the dividends in that inconvertible paper?—Yes.

5725. And the army and the navy, and the general Government expenditure?—Yes.

5726. What regulation would you make with respect to the Bank of England note; would you expect the Bank of England note to be circulated, and redeemable in gold?—Redeemable in gold, if desired, at the market price; but properly and constantly redeemable in the legal tender paper of the State, like all other bank notes.

5727. How low would you carry the amount of notes, as low as 5*l.* or 1*l.*?—It would be desirable that there should be 1*l.* notes to pay wages with, and to fill up the void occasioned by the probable abstraction of the gold pound.

5728. You alluded to the feeling of dissatisfaction which the present state of the currency caused to working men?—I think there is that feeling among those who have had to bear the pressure; the causes they were not aware of; but they are beginning to see now what the cause is.

5729. Are you aware whether there was the same feeling among the purchasers of railway shares when prices ran up?—I think there was among many persons.

5730. To what extent?—I can only speak of it from report, but I believe there was the same feeling among many, from a fear of prices falling again.

5731. While those prices were rising, there was no dissatisfaction with the currency generally on the operation of the Act of 1844?—Probably not.

5732. But now those who suffer by the fall find fault with the Act of 1844, who found no fault with it while prices were rising?—I do not know sufficiently of any persons finding fault with the Act of 1844 as the cause, though I think many felt that the Act of 1844 amazingly crippled the supplies they had thought they could rely upon.

5733. Mr. Spooner.] While the Act of 1844 was in progress, did you conceive that it would prove a failure the very first time the exchanges really went against us?—I thought it must do so, and I wrote a pamphlet against it while it was pending.

5734. You called it a fair-weather measure?—Those words were used by Lord Ashburton in speaking of the Bill of 1819. He said, before the Committee on Coin, in 1828, "It is a fair-weather system, which the first clouds will endanger; I am convinced that we shall not see two campaigns of any expensive war without another suspension of cash at the Bank."

5735. Did you not concur in that view of the case?—Entirely. I gave my opinion of the Bill of 1844 in a "Letter to the Premier," in the following terms: "It will preclude all payment of the public debt, and prevent you from being ever able to do more than barely pay the dividends—*Tantulus à sobris*—it will

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call on the poor producers of all the wealth for greater sacrifices of health and life than are now required, exhausting as their hours of toil are; it will lower the price of corn as well as of all other commodities, bring on a stagnation of trade, by draining the channels of commerce of their circulating medium, and consign the labourers, in greater numbers than ever, to the tender mercies of a poor-law union house." I concluded with these words: "There is too much reason to fear, from the apathy with which your resolutions have been received, that you will carry your measure, and completely succeed in fastening on the industrious classes of this country the fetters prepared for them by your former Bill of 1819. But I do not despair; nor do I regret that I should have made an ineffectual attempt to withstand you by publishing these hastily written pages. There are errors exposed, and truths expressed, and principles laid down here, which will not soon be forgotten, but will outlive the occasion that gave them birth. Ere long the currency question will again demand attention; your success now is but the prelude to your defeat hereafter. Your measure carries with it the elements of its own destruction. Your triumph will be your overthrow. I could predict, with tolerable exactness, what length of time will elapse before it comes to an end; when this great measure of yours, on which you so much pride yourself, will be swept away for ever, with some other things which many of your supporters will be more sorry to lose; but it is sufficient to say that *the day is not far distant*." The date of this pamphlet is May 20, 1844. I was asked by the late Sir George Cockburn and some other of my friends to mention the time to which I alluded, and I named the end of the year 1847.

5735. No one would feel its effects till it was called into operation by the state of the exchanges!—That would be the time.

5737. And being called into operation, it would increase rather than mitigate the evil?—Yes. I was strongly opposed to the passing of this Bill. I regretted much that it was urged forward with so much rapidity. Affecting, as it did, so many interests, too little time appeared to me to have been allowed for its consideration. But, in my opinion, that Bill is not the root of the evil, and I could almost pass it over; for its removal would not benefit the country in any great degree, so as to make that an object to be aimed at; indeed I might say, that, looking to the ultimate issue, there are but two chances of obtaining a remedy. We might either ameliorate the condition of the people, by giving them another system of currency; or, if we are determined to go on with the present system, we had better make it as stringent as we can. The Act of 1844 becomes more and more stringent daily by its own natural action; because the banks, when they cease to issue, are not to have their places supplied. There is a difference of one-fourth already in the issues of country banks; they were privileged to 8,000,000*l.*, and they now do not issue more than 6,000,000*l.* Mr. Beckett said, that in *Leeds* the deficiency was equal to one-fourth of the note circulation. The consequence will be, that the limits will be narrowed more and more; and the inefficient supply of notes will at length cause the country to break all bounds. If this is to be our only hope, I should say, continue the Act of 1844, in order that we may get a remedy the sooner; but I trust the wisdom of Parliament will prevent that crisis from occurring.

5738. *Chairman.*] Any amendment of the Act of 1844 would not satisfy you, so long as the Act of 1819 was in operation?—That is my opinion.

5739. The main ground of your objection is to the Act of 1819?—Yes, the incompatibility of cash payments with an indirect taxation requiring increased prices. We have the taxation of one system, and we have the currency of another; the two do not harmonize; they are not in accordance with each other; there is no relation between the two; they are a mutual contradiction.

PAPERS REFERRED TO IN MR. TAYLOR'S EVIDENCE.

- 1.—Annual Amount of all Exports and Imports, &c.
- 2.—Annual Amount of Official and Declared Values.
- 3.—Comparative Prices of Ninety Articles of Commerce.
- 4.—Average Annual Amount of Exchange Bills.
- 5.—Amount of Annual Taxation, &c.

1.—ANNUAL AMOUNT of all Imports and Exports, at Official Values, from 1763 to 1845, with the Average of every Five Years; showing the Amount of the Excess of either, and the Rate per Cent. of each Excess.

YEARS.	Official Imports, Foreign and Colonial.	Official Exports, British and Colonial.	Excess of Exports.	Excess of Imports.
	£.	£.	£.	£.
1763	15,272,877	18,234,893	461,185	—
1764	16,323,399	16,117,648	—	165,750
1765	15,785,073	16,700,730	515,656	—
1766	17,684,054	16,070,144	—	1,613,910
1767	16,627,165	17,472,600	—	845,435
Average -	16,023,510	16,468,290	—	124,919
			Excess per Cent.	
1768	17,923,105	16,340,646	1,582,458	8
1769	16,130,005	20,120,121	3,990,116	24
1770	19,699,765	16,711,865	2,987,900	16
1771	16,655,358	24,200,500	7,545,142	45
1772	16,256,717	20,200,130	3,943,413	24
Average -	16,107,680	21,407,539	5,299,859	31
1773	25,290,904	23,783,907	1,506,997	5
1774	27,736,082	27,812,330	76,248	0
1775	23,237,910	26,898,913	3,661,003	15
1776	21,813,965	25,227,090	3,413,125	15
1777	27,687,668	26,894,271	793,397	2
Average -	23,418,969	26,417,898	3,000,929	12
1778	25,322,303	27,517,687	2,195,384	8
1779	24,680,790	29,595,637	4,914,847	20
1780	23,257,241	34,281,517	11,024,276	47
1781	30,433,288	24,821,674	5,611,614	18
1782	26,903,373	27,623,284	719,911	2
Average -	27,520,958	28,730,445	1,209,487	4
1803	25,304,541	28,875,230	3,570,689	14
1804	26,464,281	34,671,309	8,207,028	31
1805	27,584,039	30,840,481	3,256,442	11
1806	23,814,479	27,964,341	4,149,862	17
1807	23,264,644	26,688,084	3,423,440	14
Average -	25,084,559	29,685,584	4,601,025	18
1808	28,666,008	23,853,620	4,812,388	16
1809	26,170,202	45,087,216	18,917,014	72
1810	27,619,024	42,632,644	15,013,620	54
1811	26,540,004	27,642,242	1,102,238	4
1812	24,928,022	27,060,077	2,132,055	8
Average -	26,721,079	30,850,483	4,129,404	15
1813	- - The Customs-House books for this year were destroyed by fire.			

YEARS.	Official Imports, Foreign and Colonial.	Official Exports, British and Colonial.	Excess of Exports.	Excess per Cent.
	£.	£.	£.	
1814	20,755,293	22,070,321	1,315,028	6
1815	20,067,298	22,034,548	1,967,250	9
1816	27,422,530	46,102,047	18,679,517	68
1817	30,300,596	20,211,029	10,089,567	33
1818	30,979,900	22,550,711	8,429,189	27
Average -	22,770,871	22,965,534	194,663	0
1819	26,746,146	43,287,023	16,540,877	61
1820	22,436,051	40,361,460	17,925,409	80
1821	26,795,754	51,481,454	24,685,700	92
1822	26,626,069	53,484,123	26,858,054	100
1823	26,746,707	52,468,575	25,721,868	96
Average -	22,661,705	46,834,455	24,172,750	106
1824	27,351,855	56,960,337	29,608,482	108
1825	44,187,482	65,335,094	21,147,612	48
1826	25,586,118	51,642,923	26,056,805	102
1827	44,687,774	62,650,658	17,962,884	40
1828	26,026,905	62,744,661	36,717,756	141
Average -	41,833,822	68,352,766	26,518,944	63
1829	43,084,277	66,835,445	23,751,168	55
1830	46,542,542	60,911,201	14,368,659	31
1831	43,713,089	71,423,609	27,710,520	63
1832	44,586,741	70,071,071	25,484,330	57
1833	45,042,681	79,633,002	34,590,321	77
Average -	45,060,946	72,830,893	27,769,947	61
1834	43,292,611	65,293,896	22,001,285	51
1835	43,011,642	91,374,455	48,362,813	112
1836	27,020,067	97,021,543	70,001,476	259
1837	44,730,201	80,781,669	36,051,468	80
1838	61,200,020	105,379,840	44,179,820	72
Average -	44,200,766	80,020,361	35,819,595	81
1839	62,004,000	139,316,718	77,312,718	124
1840	67,402,954	116,403,000	48,999,046	72
1841	64,077,003	118,005,000	53,927,997	83
1842	65,204,779	123,841,220	58,636,441	90
1843	70,000,353	122,662,201	52,661,848	75
Average -	68,627,832	127,621,260	58,993,428	86
1844	85,441,555	145,661,748	60,220,193	70
1845	75,322,638	132,603,000	57,280,362	76
Average -	80,382,100	149,132,374	68,750,274	86

2.—ANNUAL AMOUNT of the OFFICIAL and DECLARED VALUE of British and Irish PRODUCE and MANUFACTURES Exported from 1790 to 1845, with the Amount by which the Declared exceeds the Official Value, or the Official the Declared Value.

YEARS.	Official Exports, British and Irish.	Declared Exports, British and Irish.	Excess of Declared Value.	Excess per Cent.	YEARS.	Official Exports, British and Irish.	Declared Exports, British and Irish.	Excess of Official Value.	Excess per Cent.
1795	18,656,601	31,252,806	12,596,205	68	1824	48,733,531	38,298,300	10,435,231	21
1799	22,204,943	35,905,800	13,699,857	61	1825	47,194,020	38,677,288	8,516,732	18
1800	22,553,806	36,020,007	13,466,201	60	1826	40,905,735	31,233,723	9,672,012	24
1801	24,902,704	39,250,800	14,348,096	58	1827	52,819,380	37,161,533	15,657,847	30
1802	25,000,540	43,310,300	18,309,760	73	1828	52,737,455	34,631,538	18,105,917	34
Average -	22,940,900	37,735,750	14,794,850	65	Average -	49,370,808	38,800,500	10,570,308	21
1803	26,497,631	39,177,787	12,680,156	48	1829	56,212,041	35,840,620	20,371,421	36
1804	22,667,309	37,155,746	14,488,437	64	1830	61,140,964	38,377,307	22,763,657	37
1805	23,370,941	39,877,144	16,506,203	71	1831	60,000,000	37,394,375	22,605,625	38
1806	23,881,879	40,074,000	16,192,121	68	1832	65,000,702	30,450,294	34,550,408	53
1807	23,391,214	37,243,807	13,852,593	59	1833	60,000,000	30,001,347	30,000,653	50
Average -	23,160,973	37,600,300	14,439,327	62	Average -	60,310,776	37,470,307	22,840,469	38
1808	24,011,234	37,274,300	13,263,066	55	1834	72,831,850	41,540,181	31,291,669	43
1809	22,543,274	47,371,500	24,828,226	110	1835	78,070,701	47,373,270	30,700,431	39
1810	24,000,000	48,438,000	24,438,000	102	1836	82,220,000	50,398,071	31,821,929	39
1811	22,000,000	32,800,712	10,800,712	49	1837	72,540,043	42,000,246	30,539,797	42
1812	22,000,000	41,710,000	19,710,000	89	1838	82,420,000	50,000,000	32,420,000	39
Average -	23,011,263	41,020,370	17,999,107	78	Average -	80,465,079	48,900,648	31,564,431	39
1813	The records for this year were destroyed by fire.				1839	97,480,750	58,000,000	39,480,750	40
1814	24,507,500	45,404,519	20,897,019	85	1840	102,700,000	61,600,000	41,100,000	40
1815	25,000,000	51,000,000	26,000,000	104	1841	102,100,000	60,000,000	42,100,000	41
1816	30,711,016	41,007,878	10,296,862	33	1842	100,000,000	60,000,000	40,000,000	40
1817	30,111,427	41,200,152	11,088,725	37	1843	117,077,075	61,000,000	56,077,075	48
1818	42,990,321	60,000,000	17,009,679	40	Average -	104,000,136	60,000,000	44,000,136	42
Average -	30,122,430	45,402,000	15,279,570	51	1844	101,000,000	60,000,000	41,000,000	40
1819	20,000,000	55,000,000	35,000,000	175	1845	104,000,000	60,000,000	44,000,000	42
From this time the Official exceeds the Declared Value.					Average -	103,000,000	60,000,000	43,000,000	41
1820	30,000,000	26,000,000	4,000,000	13					
1821	40,000,000	28,000,000	12,000,000	30					
1822	44,000,000	26,000,000	18,000,000	41					
1823	42,000,000	26,000,000	16,000,000	38					
Average -	40,000,000	26,000,000	14,000,000	35					

3.—TABLE of the COMPARATIVE PRICES of NISSEY of the principal ARTICLES of COMMERCE, expressed in Continental Proportions.

A The Article subject to Customs or Excise Duties are thus marked, () but in every instance the Price is given without the Duty. The Price attached to each article at the commencement, is taken as the standard, equal to 100.

	1794 to 1799.	1795 to 1799.	1796 to 1804.	1805 to 1811.	1812 to 1819.	1820 to 1827.	1828 to 1835.	1836 to 1843.
Alum, British	100	100	100	100	100	100	100	100
*Ashes, Pot. Canadian	100	100	100	100	100	100	100	100
*—Pencil, ditto	100	100	100	100	100	100	100	100
*Bark, Oak, British	100	100	100	100	100	100	100	100
*Brandy, Cognac	100	100	100	100	100	100	100	100
*Candles	100	100	100	100	100	100	100	100

Table of the Comparative Prices of Ninety of the principal Articles of Commerce—continued.

	1764 to 1769.	1781 to 1787.	1790 to 1804.	1805 to 1811.	1812 to 1818.	1819 to 1824.	1825 to 1830.	1831 to 1837.
	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.	£. s. d.
*Cinnamon - - - - -	per lb. - 14 30	300	70	41	63	61	80	88
*Cocoa, Newcastle - - - - -	per cask. - 10 11	300	130	142	202	180	180	124
*Cocoa, Swadlowland - - - - -	per lb. - 1 8	100	100	100	110	100	100	90
*Cochinilla - - - - -	per lb. - 15 6	100	20	120	200	220	180	60
*Coffee, Jamaica, highest - - - - -	per cask. 4 7 6	300	110	120	140	124	124	120
" lowest - - - - -	2 18 8	300	105	140	120	124	124	120
" Mocha - - - - -	8 14 1	100	92	101	140	80	60	60
*Copper, Colons, British - - - - -	per cwt. 4 3 8	100	105	100	207	180	110	110
" Sweden, British - - - - -	per lb. - 100	100	105	100	140	180	120	100
*Corns, Wheat - - - - -	Qrs. ewer, per qr. - 2 8 9	100	121	100	100	100	120	100
" Barley - - - - -	1 4 2	100	120	105	177	181	184	121
" Rye - - - - -	1 9 4	100	127	108	176	184	125	106
" Oats - - - - -	17 3	100	110	157	178	181	181	125
*Cotton Wool, Barbadoes - - - - -	per lb. - 1 2 3	100	116	85	50	45	35	42
" Borneo - - - - -	1 5 2	100	100	120	110	104	87	37
" Brazil - - - - -	1 2 3	100	92	181	140	82	60	43
" Sayona - - - - -	1 1 8	100	89	120	120	120	60	47
*Cotton Yarn, Turkey - - - - -	2 7 4	300	115	140	170	180	117	73
" British - - - - -	2 8 8	100	100	100	100	100	100	100
*Currants - - - - -	per cwt. 1 7 1	300	167	184	195	218	230	140
*Flax - - - - -	1 10 10	300	170	270	210	270	180	172
*Flax, Fifeburgh, 12 Head - - - - -	per ton 44 11 6	300	87	122	109	170	121	0
" Floor, British - - - - -	1 17 0	300	120	140	214	220	185	103
*Hemp, Rye, Rike - - - - -	per ton 31 8 1	300	67	167	220	180	187	85
*Hops, Peckham - - - - -	per cwt. 6 15 2	300	180	161	90	224	128	124
*Indigo, Spanish Ficus - - - - -	per lb. - 11	100	97	100	130	107	67	85
" Java, British - - - - -	10 6 0	100	100	144	141	140	110	80
" Borneo, British - - - - -	10 6 0	100	111	117	105	90	70	63
" Lead, Fife, British - - - - -	10 6 0	300	101	113	160	124	120	54
*Lard, British - - - - -	per lb. - 1	300	127	264	260	270	170	160
*Lard, British, Light - - - - -	per lb. - 1 4 6	300	120	160	160	170	170	120
*Malt - - - - -	per qr. - 1 3 8	300	140	84	60	40	10	36
*Nutmegs - - - - -	per lb. - 1 3 8	300	140	84	60	40	10	36
*Oils, Oil of - - - - -	per ton, 220 galls. 42 10 6	300	116	140	180	180	110	70
" Rape, British - - - - -	40 10 6	300	116	140	180	180	110	70
" Linseed, British - - - - -	30 8 6	300	116	140	180	180	110	70
" Whale, British, Fording - - - - -	20 17 1	300	120	160	160	170	170	120
" Spanish, British - - - - -	41 10	300	116	140	180	180	110	70
" Oil of Vernal - - - - -	per lb. - 1 3 8	300	140	84	60	40	10	36
*Olive, Turkey - - - - -	per lb. - 1 3 8	300	140	84	60	40	10	36
*Pineapple, Black - - - - -	per lb. - 1 3 8	300	140	84	60	40	10	36
*Pineapple - - - - -	per lb. - 1 3 8	300	140	84	60	40	10	36
*Pineapple, Best, Moss - - - - -	per cask 3 10 10	300	124	140	180	180	110	70
" Best, Moss - - - - -	2 10 7	300	124	140	180	180	110	70
" Bottom, Waterford - - - - -	2 10 6	300	124	140	180	180	110	70
*Quinine - - - - -	per lb. - 3 8	300	100	100	100	100	100	100
*Raisins, Malaga - - - - -	per cwt. - 18	300	100	100	100	100	100	100
" Sayona, Red - - - - -	1 3 7	300	100	100	100	100	100	100
*Rice, Carolina - - - - -	per cwt. - 18 8	300	112	170	210	210	180	100
*Rice, Java - - - - -	per cwt. - 3 1	300	160	200	210	210	180	100
" Lowest Islands - - - - -	per cwt. - 3 1	300	170	210	210	210	180	100
*Sisal, Curraway, Foreign - - - - -	per cwt. - 18 10	300	114	200	270	280	180	100
" Clove, Red, Foreign - - - - -	8 6 8	300	120	130	130	130	130	130
" Clover, White, Foreign - - - - -	2 10 1	300	114	120	130	130	130	130
" Rape, British - - - - -	per cwt. 25 8 8	300	120	140	180	180	110	110
" Linseed, Foreign - - - - -	per cwt. 3 7	300	100	100	100	100	100	100
*Silk, Raw, Bengal - - - - -	per lb. - 1 3 8	300	104	70	110	70	90	70
" British - - - - -	per lb. - 1 3 8	300	100	100	100	100	100	100
" Yarn, Peshawar - - - - -	per lb. - 1 3 8	300	100	100	100	100	100	100
*Spirits, British (Malt) - - - - -	per proof, per cwt. - 2 8	300	100	100	100	100	100	100
*Sugar, Raw, Jamaica Brown - - - - -	per cwt. - 1 0 8	300	100	100	100	100	100	100
" Fine - - - - -	1 0 8	300	100	100	100	100	100	100
" Refined, Fower Lovers - - - - -	1 0 8	300	100	100	100	100	100	100
*Tallow, London Maltese - - - - -	per cwt. - 3 14 1	300	120	130	130	130	130	130
" Borneo Yellow - - - - -	3 4 6	300	120	130	130	130	130	130
*Tee, Archipelago - - - - -	per barrel - 14 7	300	121	100	207	180	110	100
" Stockholm - - - - -	15 7	300	120	100	207	170	110	100
*Tee, Borneo - - - - -	per lb. - 1 8	300	101	111	111	140	104	110
" Cayana - - - - -	1 4 13	300	80	70	70	70	70	70
" Hyon - - - - -	1 3 5	300	80	70	70	70	70	70
*Timber, Blye, Fir - - - - -	per load 1 17 8	300	100	100	100	100	100	100
" American Fir - - - - -	per load 3 - -	300	140	200	450	450	200	210
" Tin Blocks, British - - - - -	per cwt. 1 - 4	300	120	100	100	100	100	100
*Tobacco, Virginia, Sweet-smelled - - - - -	per lb. - 1	300	100	170	204	202	180	100
" Maryland, Fine Yellow - - - - -	per lb. - 1	300	100	170	204	202	180	100
*Wax, Bees, British - - - - -	per cwt. 8 18 2	300	111	110	170	120	120	100
" Foreign - - - - -	7 7 8	300	100	110	105	140	161	110
*Wine, Port - - - - -	per pipe, 120 galls. 35 7 4	300	147	171	204	204	204	204
" Claret - - - - -	per butt, 120 galls. 28 4 1	300	130	153	184	224	200	200

Table of the Comparative Prices of Ninety of the principal Articles of Commerce—continued.

	1794 to 1796.	1791 to 1797.	1798 to 1804.	1805 to 1811.	1812 to 1818.	1819 to 1825.	1826 to 1832.	1833 to 1839.
*Wool, Longwool, Combed - - - - -	100	115	224	208	184	90	78	—
*Wool, Shortwool, Combed - - - - -	100	103	120	128	116	85	112	—
*Wool, Spanish Leicester, best - - - - -	100	110	140	204	221	123	84	86
— South Down - - - - -	100	125	180	220	221	180	92	102
— Long Kent - - - - -	100	118	181	175	216	163	127	242
Average of Ninety Articles - - - - -	100	120	169	174	177	128	106	104
Price of Wheat at the General Average - - - - -	43/0*	55/5	75/5	80/5	80/4	59/5	59/5	47/2
— on the average of 90 Articles - - - - -	43/9	52/0	68/5	69/0	61/1	67/3	47/8	47/9

* Note.—In all the Parliamentary Returns and other statements of the Average Price of Wheat, the sum of 51s. 10d. is erroneously made to be the price for 1795, whereas it ought to be 41s. 10d. The correct sum is given in the "Annual Register." This difference shows the average of the seven years from 47s. 1d. to 49s. 9d.

4.—AVERAGE ANNUAL AMOUNT OF EXCHANGERS' BILLS held by the BANK, and of BANK CIRCULATION, with the BANK REER at the Beginning and End of each Five Years.

YEARS.	Exchangers' Bills.	Circulation.	Rest.	YEARS.	Exchangers' Bills.	Circulation.	Rest.
1779	7,450,548	7,270,540	1,275,520	1800	15,307,873	19,574,183	5,667,660
1780	6,740,424	6,341,600	—	1810	17,106,877	24,795,520	—
1781	6,009,457	6,001,450	—	1811	21,664,243	27,565,200	—
1782	8,967,873	6,781,350	—	1812	21,106,180	27,045,800	—
1783	9,666,837	6,307,879	3,358,960	1813	25,501,338	24,825,130	6,676,200
Average -	7,673,450	6,666,830	1,847,828	Average -	23,871,422	27,262,004	6,869,795
1794	8,435,777	8,632,510	2,168,580	1814	34,902,485	29,560,200	6,067,600
1795	6,738,381	6,570,650	—	1815	24,194,985	27,240,670	—
1796	7,066,241	8,184,830	—	1816	26,097,453	28,768,750	—
1797	8,066,808	9,666,730	—	1817	27,688,808	29,543,700	—
1798	8,040,048	10,005,600	2,007,930	1818	27,237,012	28,202,140	4,604,040
Average -	8,011,230	8,807,220	2,583,170	Average -	27,625,620	27,624,202	5,770,620
1799	9,667,359	11,781,860	2,544,340	1819	25,419,140	25,232,000	4,006,550
1800	10,647,237	11,403,240	—	1820	19,173,997	24,290,340	—
1801	10,661,360	11,072,230	—	1821	15,762,553	20,235,300	—
1802	10,715,541	11,066,300	—	1822	13,680,329	17,664,700	—
1803	10,881,888	10,861,080	2,027,600	1823	11,842,677	19,282,240	3,667,080
Average -	10,845,468	11,218,762	2,634,205	Average -	17,171,427	21,706,870	3,668,388
1804	8,993,048	10,566,780	2,873,800	1824	14,646,107	20,182,150	5,647,520
1805	15,230,504	10,602,200	—	1825	17,434,566	19,338,840	—
1806	10,875,747	8,246,780	—	1826	17,713,801	20,563,680	—
1807	8,755,224	11,114,120	—	1827	19,806,234	22,747,600	—
1808	10,830,000	12,180,610	5,414,410	1828	20,002,774	22,357,510	2,845,620
Average -	10,536,812	10,780,300	3,145,159	Average -	18,054,001	21,039,698	2,845,420
1809	8,492,858	12,388,480	3,611,810	1829	20,072,440	10,547,380	2,764,660
1810	13,686,690	15,047,100	—	1830	20,911,616	21,664,700	—
1811	11,886,873	14,683,110	—	1831	18,006,132	19,658,130	—
1812	13,688,589	17,067,630	—	1832	20,820,660	19,619,200	2,600,660
1813	12,836,179	15,983,830	4,736,770	1833	—	—	—
Average -	12,866,530	15,214,760	4,311,640	Average -	18,967,162	19,692,892	2,607,480
1834	14,963,325	17,183,300	4,616,480	1839	20,911,616	21,664,700	—
1835	14,413,325	16,586,490	—	1841	18,006,132	19,658,130	—
1836	14,167,772	17,067,470	—	1842	20,820,660	19,619,200	2,600,660
1837	15,410,066	10,679,540	—	1843	—	—	—
1838	14,982,384	17,111,220	5,326,230	Average -	18,967,162	19,692,892	2,607,480
Average -	13,288,176	16,271,682	4,276,340				

A.—AMOUNT

6.—AMOUNT OF ANNUAL TAXATION, including Income Tax, and also distinguishing it, with the Average Amount of the Unrecovered Debt.

YEARS.	Annual Taxation.	Inclusive of Income Tax.	Unrecovered Debt.	YEARS.	Annual Taxation.	Inclusive of Income Tax.	Unrecovered Debt.
£.	£.	£.		£.	£.	£.	
1795	17,645,551	-	11,561,000	1825	64,751,125	12,655,728	47,095,400
1796	17,797,593	-	22,571,000	1826	65,562,590	14,891,064	46,671,526
1797	17,896,594	-	30,679,048	1827	70,500,555	15,111,021	60,389,534
1798	18,495,598	-	14,658,500	1828	71,500,145	15,527,688	45,972,457
1799	18,545,628	-	15,590,800	1829	62,840,711	15,578,671	45,262,040
1800	19,655,646	-	24,453,500	1830	65,130,749	2,688,684	62,442,065
Average -	18,654,617	-	13,175,500	1831	62,907,516	641,472	46,266,044
1795	56,492,565	825,206	56,317,359	Average -	63,283,503	10,550,471	52,733,032
1796	55,511,543	2,675,965	52,835,578	or -	62,069,627	without the Income Tax.	
1797	54,659,437	4,653,216	49,996,221	1816	53,591,806	-	55,024,260
1798	54,810,581	6,561,528	48,249,053	1817	55,005,983	-	55,111,286
1799	57,111,280	3,470,300	53,640,980	1818	56,579,072	-	55,642,559
1800	56,555,507	441,246	56,014,261	1819	55,555,916	-	55,088,150
1801	44,615,132	3,695,064	40,920,068	1820	54,446,909	-	54,615,739
Average -	55,652,633	3,159,855	52,492,778	1821	55,456,878	-	55,532,550
or -	53,492,628	without the Income Tax.		1822	60,771,800	-	55,906,000
1805	55,555,100	4,548,714	50,006,386	Average -	54,686,000	-	55,555,500
1806	54,071,008	6,162,600	47,908,408	1825	61,214,036	-	55,379,036
1807	55,495,521	10,158,000	45,337,521	1826	61,215,217	-	55,446,450
1808	62,547,084	15,070,645	47,476,439	1827	58,725,125	-	57,657,000
1809	60,555,582	15,415,714	45,139,868	1828	61,497,583	-	58,000,650
1810	60,555,507	15,564,064	44,991,443	1829	60,736,585	-	58,000,650
1811	60,555,100	15,712,789	44,842,311	1830	46,514,974	-	58,000,650
Average -	60,470,000	10,574,042	49,895,958	1831	47,139,459	-	58,000,650
or -	48,654,028	without the Income Tax.		Average -	60,378,141	-	58,704,456

Vendredi, 10^e de Mai, 1848.

MEMBERS PRESENT :

Mr. Chancellor of the Exchequer.
Mr. Cayley.
Mr. Dismell.
Mr. Glyn.
Mr. Hudson.
Mr. Hume.
Mr. Herries.
Mr. Goulburn.

Mr. Thornely.
Mr. Spooner.
Sir James Graham.
Sir William Clay.
Mr. Alderman Thompson.
Lord George Bentinck.
Mr. Wilson.

MR. CHANCELLOR OF THE EXCHEQUER, IN THE CHAIR.

Thomas Birkbeck, Esq. : Examined.

5740. Chairman.] I BELIEVE you are a banker in Yorkshire?—I am.

5741. Is yours a private bank or a joint-stock bank?—A private bank.

5742. Have you been selected by committee of the private bankers in London to appear before this Committee?—I have.

5743. For the purpose of stating the views which they generally entertain upon the subject of the inquiries of this Committee?—Yes; more particularly as regards the clause in the Act of 1844, which restricts the Bank of England circulation.

5744. Will you state the opinion that the private bankers entertain upon that subject?—I will state my own opinion, which, I believe, is the unanimous opinion.

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T. Birkbeck, Esq.

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opinion of the Association of Private Country Bankers, which I represent; that the restrictive clause at present existing in that Act is utterly inapplicable to any time of monetary pressure, and must necessarily lead to a very dangerous panic if maintained. My instructions were to say that that was the unanimous opinion of that body.

5745. Do you remember the pressure that existed in the month of April of last year?—Perfectly.

5746. Did it extend to the part of Yorkshire with which you are best acquainted?—It did not extend immediately into the district where I reside, but it extended through Lancashire, where I have three banks, and was felt very acutely.

5747. To what do you attribute that pressure?—To the derangement of the foreign exchanges, caused by the importation of a large amount of corn, together with the contraction of the circulation of the Bank of England; those circumstances produced the pressure.

5748. Do you conceive that the operation of the Act of 1844 was felt at that time?—Yes, and for the first time, I think.

5749. And, in your opinion, it acted injuriously?—I think it did.

5750. Were there any other causes in operation at that time producing pressure, except the restrictive measures as regards the circulation of the Bank of England?—None, but what I have mentioned. The necessarily large importation of corn turned the foreign exchanges against us, and caused the exportation of bullion, and that reduced the circulation in this country, and caused a want of confidence, which created the panic, which, I think, otherwise would not have been created.

5751. In what sense do you use the word "circulation"?—I mean the money in which our ordinary dealings take place, Bank of England notes.

5752. Do you use the word in the sense of Bank of England notes in the hands of the public?—Yes.

5753. Are you aware that they were not in point of fact reduced to a very considerable amount?—They were, no doubt, out of the hands of the Bank of England, but I believe they were in the hands of bankers to a very large amount; they were not circulating with the public.

5754. You mean by that, not that the notes in the hands of the public were reduced, but that many of those notes which were out of the Bank of England were held by private bankers for their own security?—Yes.

5755. And that was caused by want of confidence on their part?—Yes.

5756. Did that state of things last very long?—It lasted till the month of May; there was then a favourable turn, and we had rather better times, and a feeling of confidence existed till about the month of September, and then the panic returned again.

5757. From what did that return of want of confidence arise, in your opinion?—I think from the same cause as the former one; there were some failures which took place at that time, which also caused the want of confidence.

5758. Were the failures principally of houses concerned in the corn trade?—Yes.

5759. Was anything at that time to be attributed to the conduct of the Bank of England as prescribed by the Act of 1844?—I think so; I think the public, seeing the amount of the reserve constantly reducing, became very timid and lost all confidence; and again the same thing took place as before; a very large amount of bank notes was taken out for the mere purpose of security by private bankers and individuals.

5760. At what period of the autumn do you conceive that to have taken place?—At the end of September, and it continued through October, till the Government letter appeared.

5761. Would you attribute any of the effect to the conduct of the Bank of England under the operation of the Act of 1844, previous to the end of September?—I do not feel myself competent to speak to that; I have no memoranda or figures by me to refer to, but I remember that myself and my partners felt towards the end of September that the commercial horizon looked rather gloomy, and we therefore felt it necessary, as I believe most other bankers did, to prepare for the coming storm.

5762. Can you at all fix the date of that?—I cannot; I think it was towards the end of September; I believe that took place about a month before the Government letter was issued.

5763. Were

5763. Were there not several failures of the houses in the corn trade as early as the middle of August?—I believe there were some.

5764. To what cause do you attribute the want of confidence which prevailed at the end of September, beyond the failures of houses in the corn trade?—There were other failures besides those in the corn trade.

5765. Are you at all acquainted with the circumstances which led to the failure of other houses than those in the corn trade?—No; not beyond what I have seen in the public papers.

5766. That want of confidence prevailed, from the close of September till the issue of the Government letter towards the end of the month of October?—Yes; and at that time there was a marked change.

5767. The effect of that letter was to restore confidence very generally?—Yes; there never has been anything like want of confidence since that time.

5768. The amount of bank notes in the hands of the public was not materially increased?—No, not at all; lessened I should say, taking the amount in the hands of bankers, because we and all the rest of the bankers immediately remitted a portion of the notes we had held; we thought it not necessary to keep them.

5769. You no longer felt it necessary to keep so large an amount of notes in reserve to meet any possible demand upon you?—No.

5770. The effect of the letter was to restore confidence, but not to increase the amount of notes in the hands of the public?—Exactly.

5771. Mr. Cayley.] What proportion of notes did you hold more than your usual quantity, in consequence of that want of confidence?—Of gold and notes together we held from 75 to 100 per cent. more than usual.

5772. Have you reason to suppose that other bankers did the same?—I made general inquiry among my friends, and I believe they all held about the same, some 75 and others 100 per cent. more than usual.

5773. If the bankers had in their tills 100 per cent. more notes and gold than usual, the accommodation to the public must have been considerably lessened?—Yes.

5774. How many years have you and your family been connected with banking?—The Craven Bank, of which I am a partner, has been established 58 years, and it has issued during that time, and my family had been bankers previously to that time.

5775. For nearly 100 years?—Yes; I know that they issued notes in 1700.

5776. Can you inform the Committee of any specific cases in which the operation of the Act of 1844 produced injurious effects?—I know cases where persons borrowed money at a very high rate of interest, not because of their actually wanting it, but because they feared that they might want it; they felt no confidence of being able to get it when they immediately required it. I know an instance where a man borrowed 10,000*l.* for three months at 10 per cent., not because he wanted it, but because he feared that he might by possibility require a large sum in that time, and he had no confidence that he would be able to get it from bankers or any other party; he kept the notes all that time, and then he returned the very same notes that he had borrowed.

5777. That was a case of hoarding by a capitalist who thought that he might want the money which he did not use, and the effect of that would be to lessen the accommodation to the public?—Yes; I know another case of a party who was a large holder of Exchequer bills, which he kept in order to meet his engagements at the time, and he was unable either to sell those Exchequer bills or to borrow upon them; and he was obliged, therefore, to go to his banker and ask for an advance.

5778. Mr. Spooner.] At what time was that?—That took place in April or May; it was during the spring panic.

5779. Mr. Glyn.] Do you know that of your own knowledge?—The party with whom it occurred told me of it, and I have every reason to believe it to be the fact.

5780. Mr. Cayley.] Can you speak to the effect that the restriction established by the Act of 1844 upon the issues of country bankers has had?—There is a difference of opinion in the Bankers' Association with regard to that, and my instructions were to say what I have said, and to say nothing more; and as far as I have spoken, I have spoken as a delegate from the Bankers' Association.

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5781. But will you be good enough to give your own opinion on that point?—I do not think that it has made very great difference with us.

5782. Can you say whether the average that was taken in fixing the limit was a fair average?—I think it was not.

5783. In regard to your own circulation, was it a fair limit?—It was not; it took the three months previous to the 27th of May in the year 1844, and two months of those three are a time when our circulation is at the lowest.

5784. Then there are periods of the year when your circulation is larger than at others?—Yes, during the months of May and June our circulation rises the highest; our farmers then go into Cumberland and Scotland for the purpose of buying their cattle for the summer feed; they require a larger amount, and they withdraw the chief part of the deposits that they have made during the winter, and they also borrow to a certain extent.

5785. Can you speak to any other period of the year when your circulation is higher than in general?—It is the same in the autumn; the farmers then buy sheep and cattle for stall-feeding.

5786. Have you any reason for supposing that the year 1844 was not a fair year to take as a test of what would be the proper amount of the country circulation?—It was fairer than taking the circulation in 1842 or 1843.

5787. Taking the period from 1841 to 1844, had there not been a great diminution of transactions, and therefore a considerable diminution of the circulation?—Yes; in 1841 our average circulation for the year was 82,000 *l.* In 1842, when the new tariff passed, allowing the introduction of foreign cattle, a great panic seized the farmers; stock fell, and our circulation fell to 64,000 *l.*, and it was about the same amount in 1843; in 1844 it rose again; I think the average of that year was about 72,000 *l.*

5788. What had it been before 1839?—The average circulation was considerably above 90,000 *l.*

5789. Had it reached 100,000 *l.*?—There were times when it went above 100,000 *l.*, but I am speaking of the average circulation for twelve months, taking it weekly.

5790. Before 1839, the average circulation had been 90,000 *l.*?—Above 90,000 *l.*

5791. But the average circulation of 1844 was not more than 72,000 *l.*?—No.

5792. If the average circulation of 1844 were taken as the limit of your circulation for ever, it might naturally be supposed to be a limit less than the wants of the district required?—I think it was less than the wants of the district required.

5793. During the last year, did that limit upon your circulation operate injuriously to your customers; were you obliged to limit accommodation in consequence?—To a certain extent; but I do not know that I should say that it was owing to the Act of 1844, but we felt it prudent to do so, on account of the state of trade, and the monetary position of the country.

5794. You have six branches, have you not?—Yes.

5795. You have three branches in the manufacturing districts, and three branches in the agricultural districts?—Yes.

5796. In consequence of having that number of branches, is the full limit of your circulation available?—Not always; not without running risks which we do not like to run. One of our branches may receive 300 *l.* or 400 *l.* of notes in one day, and pay them out again; or they may have a sudden demand, and pay out beyond what we expected, and all our calculations may be at fault.

5797. Then even to the limit of your circulation, it is not available by some thousand pounds?—We do occasionally extend our circulation a little at the beginning of the month, but we always have to bring it within the amount at the end of the month. Suppose we extend it by 3,000 *l.* at the beginning of the month, we bring it down 3,000 *l.* or more towards the end of the month, in order to bring it within the average. I think we are never able to avail ourselves of the full amount of the privilege by 5 or 10 per cent., taking the average of the year.

5798. Then the limit is not only contracted, but you are not able to avail yourself of the circulation up to that limit?—No.

5799. During the pressure of 1847, when your customers were, I suppose, very imperative upon you for accommodation, and your circulation was thus limited, did you resort to any substitute for that circulation?—Not anything different

different from what we had been in the habit of resorting to before; we had always been in the habit, before the Act of 1844, of paying small bills to customers, and we have done it to a still greater extent since 1844.

5800. Bankers' small drafts have increased since 1844?—They have.

5801. Did the bankers in Lancashire, and in your district of Yorkshire, come to any understanding as to the use of bankers' drafts in 1847?—Six or seven years previous to last May, the great bulk of the payments in Lancashire were made in the Bank of England notes. Then there came an important change; we got bankers' drafts upon London for sums varying from 100*l.* to 5,000*l.* which we had never seen before.

5802. Can you at all account for that change?—I understood that it was in consequence of an arrangement between the bankers of Lancashire and their customers that they should not draw cash checks upon them, but should take bills instead.

5803. What necessity gave rise to that custom?—I think it was the effect of the Act of 1844 in restricting the Bank of England circulation.

5804. What was the length of the bills?—Some were two and some were three months bills.

5805. Were they drawn by banks in Lancashire, or were they drawn by banks in different parts of the country, and circulated in Lancashire?—They were drawn by banks in Manchester on their bankers in London.

5806. And you have every reason to suppose that they were drawn in consequence of the poverty of the circulation?—Yes, I have no doubt of it.

5807. Were those bills drawn generally by the Manchester banks?—Yes.

5808. By one bank in particular?—No, by all the banks.

5809. Mr. Glyn.] But had you not seen that practice prevail before the passing of the Act of 1844 in the same district?—Not to the same extent as in 1847.

5810. Was there not the same practice at other times when money became scarce there?—No; I had seen some bills six years previous to that, but I do not remember seeing any bankers' bills of two and three months' date.

5811. In 1838 did not the same practice exist?—No; during that time we did not see bankers' drafts for two or three months.

5812. Was not the practice of the banks in Manchester very extensive at that period of drawing upon their agents in London?—I think not; the mode of conducting business is this, the manufacturers in Lancashire sell to the Manchester houses at four months; they sell this month, and the goods are paid for the next, and the buyers have the option of paying in Bank of England notes, and deducting interest at 5 per cent., or paying in a three months' bill.

5813. Mr. Copley.] Has it not been the practice for many years for some of the Manchester bankers to draw upon their own firms in London?—It has.

5814. Have not such bankers greater facility in drawing bills at two or three months' date at times of pressure, than their competitors who draw upon independent firms?—No doubt they have.

5815. Those who draw upon independent firms must lodge securities to cover the acceptance of their drafts?—Certainly.

5816. Then the bankers who have been in the habit of drawing upon their own firms in London must have a great advantage over the other banks?—No doubt they have.

5817. In your experience do you find it practicable for a country banker to induce unwholesome speculation by an issue of local notes?—I think not; the bankers can only issue notes where they are required; they will not remain out if they are not required by the country.

5818. Do you think that if a country banker consults his own interest, he will not issue his notes except for the purpose of supplying the wants of the district?—No; he knows that if the notes are not wanted they will come back again immediately.

5819. You think then that the restrictive clause of the Act of 1844 upon country banks was unnecessary?—That is my opinion individually.

5820. And that it leads to the substitution of another kind of paper in times of pressure?—Yes; that, coupled with the restriction of the Bank of England circulation, produces that result.

5821. Would it have any beneficial effect upon the trade of the district, in
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your opinion, if the Bank of England were allowed to issue notes of a lower denomination; notes of 1*l.* and 2*l.*, and 2*l.* 10*s.* and 3*l.*?—I think it would.

5822. Do you find any scarcity of gold at times?—At times we have to send a clerk to Manchester and Leeds, and sometimes to London, to fetch gold.

5823. That is for the payment of wages?—Exactly.

5824. Was there such a scarcity of notes during the pressure of 1847, that even when your customers brought gold to you in exchange for notes, you refused to give notes in exchange for gold?—Yes.

5825. Such was the absence of paper circulation, that it had that result?—Yes.

5826. Do your customers prefer taking bills to taking gold?—Generally they do; a farmer will frequently bring 100*l.* in gold, and take 100*l.* of short-dated bills, in order to take them into the rural districts to buy cattle with.

5827. You see no disposition, on the part of the public, to discredit the Bank of England circulation or the local circulation?—Not the least.

5828. You can speak both to the agricultural districts and to the manufacturing districts?—I can.

5829. Where are your branches?—At Settle and Skipton we have branches; those are grazing districts; at Keighley we have a branch; that is partly a grazing district, but it is principally a worsted manufacturing district; we have an establishment at Burnley, which is a cotton district; at Colne, where there is worsted and cotton; at Clitheroe, which is principally a cotton manufacturing district, but on the edge of the farming district; it combines the two.

5830. Did you find, in the manufacturing district, that the manufacturers were at all starved in their means of carrying on their business by reason of having invested their capital in railways?—Not at all.

5831. Can you give any instance?—I have known individual instances of that; but I think it was more persons of fixed income than manufacturers who suffered.

5832. Can you speak of any person who stopped payment in consequence of having embarked a large sum of money in railways?—No, at this moment I cannot remember one person; we have been very fortunate with respect to failures among our friends, and I do not know any one case in which the failure was caused by that.

5833. As to the effect upon your deposits of railway investments, or any other cause, were your deposits affected during the year 1847?—I do not think we found any difference in the deposits; certainly not in the farming districts till November 1847; then, when the Three per Cents. fell to 80, our friends began to buy largely. Country gentlemen who had allowed the savings out of their incomes to accumulate in our hands began to buy into the funds at that time. In the manufacturing districts we felt a greater change. The depositors there are a different class of persons; they are book-keepers, and persons of that class, who put their savings in the banks, varying perhaps from 50*l.* to 100*l.*, and they have been living upon the savings in the bad times, and there we felt a marked difference.

5834. Speaking of the depositors in the manufacturing districts, did they begin to withdraw their deposits before April and May 1847?—No, not at all.

5835. You did not find any diminution in the deposits till the panic in April or May 1847?—No, nor much diminution till towards the autumn of the year.

5836. Can you speak at all to the revival of trade; is there any appearance of a revival?—Yes, I hope there are decided symptoms of revival.

5837. Should you say that the revival was general and complete?—Not complete, but I think there is a more hopeful feeling in the public mind, and there are symptoms of improvement.

5838. There are more hopeful symptoms, but they have not come to maturity?—No, we are very far from a state of prosperity.

5839. You have no doubt in your own mind of the effect of the Government letter in allaying the panic in October?—Not the least.

5840. Was it instantaneous?—Yes.

5841. Magical?—Quite so; I never saw anything like it.

5842. Mr. Alderman Thompson.] You have stated that since the Act of 1844 came into operation you have found an increase in the issues of bills drawn at short dates upon London and circulated; but does it come within your knowledge

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ledge that when trade has been brisk, and the circulation has been quite full, the system has been adopted of getting into circulation cheques for small amounts?—It has not been the case in that part of the country where I reside, but I know that it has taken place in other parts to a very considerable extent.

5843. Do not you think that that is likely to continue?—I have no doubt it will.

5844. In point of fact, that arises from the restriction imposed upon the issues of the country banks?—Yes.

5845. Do you not consider that it is injurious not only to the bankers, but to the merchants and traders and agriculturists?—I do.

5846. Are you for an entire repeal of the Act of 1844, or only for certain modifications of it, and, if so, what modifications?—I am here only to represent the opinion of the private country bankers, and all my instructions go to obtaining a relaxation of the Act.

5847. But have you any objection to state your own individual opinion upon that point?—I should like myself to see a larger amount of change than my instructions lead me to ask for.

5848. I ask you your opinion in your individual capacity?—I should say that it would be a great benefit to the country to repeal the Act. I feel very indifferent about it, speaking of my individual interest as a country banker; but as regards the country, I think a great benefit would result from the repeal; but I beg to be understood as merely giving that as my own individual opinion.

5849. Mr. Spooner.] Although you only give that as your own individual opinion, and not as the opinion of the Bankers' Association, does it not come within your knowledge that a great many bankers individually entertain the same opinion as you have now expressed?—It does; I believe a considerable number agree with me, but some very influential ones do not. All, however, are anxious for a modification of the restrictive clauses.

5850. Mr. Alderman Thompson.] Has any portion of those deposits, which you lost towards the close of 1847 returned to you?—Some portion has returned, but not to a great amount.

5851. You state that your confidence in the restoration of a better state of trade is more sanguine now than it was some time ago, but that you conceive that a very great improvement has not yet taken place?—No, not any material improvement; there is a home demand, which did not exist some time ago.

5852. Do you find that confidence in reference to monetary transactions has at all returned; that is, do you find now that persons are as willing to lend their money for extended periods of one, two or three years, as they were prior to 1847?—No, I think not.

5853. Do you find generally that capitalists of every denomination are desirous of holding their money in hand within their reach as much as possible?—Yes, within three months; there is a marked difference between borrowing money within three months and borrowing money for a longer period.

5854. Do you happen to know the state of the money market in London at this time?—Yes.

5855. Money is at a very low rate of interest for short periods?—Yes.

5856. As low as 2½ per cent.?—Yes; I know of money that has been lodged for less than that; 2 per cent. and 1 per cent. for short periods; 14 days and a month.

5857. Dependent upon the nature of the security, 2 per cent. may have been upon bills, and 1 per cent. upon stock?—Very likely.

5858. At what rate of interest do you think money could be loaned for six months upon good security, either bills or railway debentures of undoubted character?—I think it would be difficult to borrow anything upon railway debentures just now.

5859. Do you think it could be done at 5 per cent.?—I do not; if you took first-rate acceptances you might get it done at 5 per cent.; I have no reason to know that; but I think that you might.

5860. Bills drawn from India and China upon good houses might be done at 5 per cent.?—Yes.

5861. Mr. Glyn.] Is there not a disinclination with country bankers to enter into transactions for long periods of time?—Yes.

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5862. Do the country bankers generally decline to enter into transactions for longer periods than three months?—Yes.

5863. Can you state what the extent of the relaxation is to which the country bankers are looking?—No; my instructions do not go to that, but they merely speak of a relaxation.

5864. Mr. Thorpe.] You are favourable to the repeal of the Act of 1844?—Yes; that is my individual opinion; but the country bankers are in favour of the relaxation of the Act.

5865. Mr. Glynn.] Do you allude to the clause of the Act restricting the circulation of the Bank of England?—Yes; they think that a power should exist in cases of emergency to extend the issue beyond 14,000,000*l.*; that is the general opinion of the country bankers.

5866. Mr. Thorpe.] What is your opinion as regards the restriction of the Act of 1844 upon the issues of country bankers?—There is a difference of opinion upon that point among the country bankers.

5867. You said that you were not aware of the deposits having been withdrawn to a large amount for the purpose of being invested in railways?—No; all country bankers are liable to their deposits being withdrawn from persons looking out for more profitable adventures; and we have had to pay out some sums for the purchase of railway debentures.

5868. Have you heard of sums of money being advanced upon railway shares, at high rates of interest, in the course of the last two or three years?—Yes.

5869. What rate of interest do you believe has been paid upon deposits of railway shares?—I have heard of 10 per cent. being paid; that is not within my own knowledge, but I know of cases where 6 per cent. has been paid.

5870. If parties could get 6 per cent. by advancing money upon railway shares, does not that lead to the withdrawal of a great quantity of money?—But a banker would not lend that money at the expense of his customers; he would only lend money for a short time.

5871. But other parties might lend money in that way, though the bankers might not do so?—Certainly.

5872. Mr. Disraeli.] Is there any opinion among the body that you represent as to the parties with whom the power of relaxation should be placed?—The general opinion, I think, seems to be in favour of placing it with the Government, the Queen in Council.

5873. Chairman.] You stated that the time at which the average circulation was taken happened not to suit your own bank?—If it had been taken on the 21st of June or July, it would have suited us much better.

5874. Are you aware that, taking the country banks generally, the circulation is never so high as at the end of April?—No; some country banks have their circulation very high at that time, but it is not the case in the grazing districts.

5875. You do not recollect Mr. Gilliat putting in a statement, and giving evidence in 1841, which proved that the highest circulation in England and Wales was in the month of April?—I do not remember that.

5876. Mr. Spooner.] At the distance you are situated from London, you find very great expense attending the getting of bank notes and gold, which the issue of your own notes prevented?—Yes, it prevented the risk and the expense of getting bank notes and gold.

5877. Therefore you would be led to refuse accommodation upon that consideration, that it would not be worth your while for the sum you would charge to run the risk that it would be necessary for you to run in getting the notes and gold from London?—I should of course make a higher charge under those circumstances in the case of a loan.

5878. That would limit the amount of accommodation you gave to the customer?—It would limit it, or make it more expensive.

5879. Did you observe any great change in the sort of paper which was paid into your bank in the agricultural district during the panic of 1847?—Yes; previous to that time it was principally paid in small bank notes and promissory country notes and sovereigns; and since that time we have had a great increase of small bills, from 15*l.* to 30*l.* paid in instead of cash.

5880. To what do you attribute that?—To the same cause, the restriction of the power of the bank as regards its circulation.

5881. There

5881. There were not notes sufficient in circulation for the wants of the country?—No. T. Biddell, Esq.

5882. Had there been notes sufficient would those bills have been drawn?—No, we never saw them before; the difficulty before has been to get bills of that kind. 19 May 1843.

5883. What were the sort of bills that were so drawn, bankers' bills?—No; bills drawn upon shopkeepers by parties who sold goods; small drafts, which were formerly paid in cash have been paid in that way.

5884. Have you looked at the state of the balances in the Bank of England just at the time the letter of the Government came out, in October?—Yes, I know the amount.

5885. Will you look at that paper, and state what the amount was of the balances which the London bankers had in the Bank of England at that time?—One million six hundred and fifteen thousand pounds.

5886. What was the amount of the reserve of the Bank of England?—One million five hundred and forty-seven thousand pounds.

5887. Taking into consideration the great panic and the demand for money which existed at that moment, was it not very probable that the London bankers would have found it necessary to withdraw those balances from the Bank of England in the course of a short time?—If the letter had not been issued, the great probability is that they would have done so.

5888. Do you think that at that time the Bank of England could, by the sale of stock, have called in a sufficient quantity of notes to have enabled it to meet all demands upon it?—I think they could not.

5889. You do not think it would have been possible for them to have sold 1,000,000*l.* of stock at that time?—I do not.

5890. How long a period would it have taken the stock market to absorb that amount?—I do not know; but I do not believe they could have sold it.

5891. Does it come within your knowledge that persons were at the time in London with Exchequer bills, and that they could not by means of those Exchequer bills raise money?—Yes.

5892. Supposing the letter had not been issued, and this drain had come upon the Bank of England, what would have been the consequence if the Bank could not have met all its payments by means of its reserve?—It is frightful to contemplate what the consequence would have been.

5893. What would probably have been the effect upon the amount of bullion in the issue department?—It would have been drawn out.

5894. By the holders of the 14,000,000*l.* of notes that were issued upon securities?—Yes.

5895. Was not the convertibility of the note at that time in very imminent danger?—I think so.

5896. If the Act of 1844 had for its object to preserve the convertibility of the note, do you think it answered its purpose?—I think not.

5897. Have you, ever since you have been in business, known more severe panics than have taken place in 1847?—I never knew any panic equal to that which we had in 1847.

5898. Were you much concerned in business before the Act of 1844 passed?—I was.

5899. Do you think that the panics have been more severe and more frequent since the Act of 1844 passed, than they were before the Act of 1844?—We have had continuous pressure during the whole of 1847.

5900. Do you ever recollect as severe a panic as existed in 1847?—No.

5901. If another object of the Act was to prevent panic, has it answered its purpose?—No.

5902. If the public had known that the 8,000,000*l.* that was in the issue department was at the full command of the Bank on the 23d of October, do you believe that the panic would have come to anything like the point to which it was brought at that time?—I do not believe it would.

5903. You are looking forward now to the restoration of trade?—Yes.

5904. That will bring with it an increase of the prices of commodities?—Yes. I hope so.

5905. And an increase in the employment of labour?—Yes.

5906. Do you conceive that there is a risk that when that period arrives, gold being

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being the cheapest article of export, will again leave the country?—If the foreign exchanges turn against us, gold must leave the country.

5907. Will not that have a great tendency, by stopping the exports in consequence of high prices, and encouraging imports by corresponding high prices, to turn the balance of trade against us?—I am afraid it will.

5908. Will not that have exactly an equal tendency to drive gold out of the country?—Yes, the moment the exchanges are against us, gold will go out.

5909. As long as the restrictions of the Act of 1844 exist, shall we not be subject to panics, with all the severity of the panic of 1847?—Yes.

5910. Mr. Copley.] Is that because the Act of 1844 makes the Bank circulation vary more than heretofore, in accordance with the foreign exchanges?—I think it is.

5911. Mr. Thornely.] You have been asked about the deposits in the Bank of England being withdrawn; do you believe that taking the bankers throughout the country, they would be prepared to pay the whole of their deposits?—Decidedly not.

5912. You have stated to the Committee that whereas payments were formerly made in cash by the Manchester manufacturers, of late those payments have been made in drafts to a certain amount; does not the change in that respect depend upon the rate of interest charged for money; for instance, if drafts can be discounted at a low rate, say 3 per cent., the purchaser of manufactures has an advantage by discounting the drafts at 3 per cent., and receiving from the manufacturer interest on his payment at the rate of 5 per cent.?—No doubt he does.

5913. Was not the reason of the former payments being made in cash, that the purchaser of manufactures was able to make a profit by discounting the bills, and paying cash for the goods?—In some degree I dare say that was the case; but during a part of the year a man could not discount his bill at all; I speak the more positively, because I know there were circulars sent by the bankers in Lancashire to their customers, desiring them not to draw cash checks, but to take their drafts.

5914. When the rate of interest is 5 per cent., then the purchaser of manufactures gains no advantage from discounting a bill at 5 per cent.; he makes no profit by it, and he might as well make the payment in the drafts which he holds?—Certainly; if he pays the same sum as he receives, there is no profit in it.

5915. But if the rate of interest is above 5 per cent. he would incur loss by discounting the bills, and therefore he had better make the payment in the bills which he holds?—No doubt.

5916. In the last 18 months you are aware that the imports of corn into this country have been to an enormous extent, and necessarily so to supply the consumption of the country?—Yes.

5917. You are aware also that there has been an immense demand on the capital of the country for railway purposes; has not that amounted to 3,000,000*l.* or 4,000,000*l.* a month?—Yes.

5918. Do you believe that any system of currency would have carried the country through the last 18 months, with all those pressures, without serious embarrassment arising?—No; I do not think we could ever have imported that quantity of corn, and attempted to pay for it in gold, without its occasioning pressure.

5919. And there has been, in conjunction with that, a very large investment in railways?—That, I think, would not have been felt to a serious degree but for the other causes; it would have caused individual suffering; but it would not have caused national suffering.

5920. Does it not raise the rate of interest in the market?—No, it does not; the money is there still.

5921. Then you do not think that the calls upon the country for railway purposes to the amount of 3,000,000*l.* or 4,000,000*l.* a month have had any effect in raising the rate of interest in the market, or producing a scarcity of money?—I cannot conceive that it could do so; provided there was a good state of trade, I do not think the notion would have felt it in the least; individuals might have felt it, but not the nation; the money is there still.

5922. Mr. Hudson.

5922. Mr. Hudson.] It goes to landed proprietors, shopkeepers and others? —Yes. T. Birbeck, Esq.

5923. Mr. Capley.] There is the same amount of railway calls going on now, but yet money is at the cheap rate you have described?—Yes; there is very nearly the same amount of railway calls. 19 May 1848.

5924. Mr. Spooner.] At the time you allude to money was very cheap in the market?—It was.

5925. There was a great difficulty in employing it?—Yes.

5926. If it had not been employed in railroads, do you think it would have gone for investment elsewhere?—I think a good deal would have gone abroad.

5927. Being kept at home, have not the labourers of this country benefited from the expenditure?—Yes.

5928. And the revenue has also benefited from that expenditure?—Yes.

5929. Did it at all lessen the amount of currency in the country?—I cannot conceive how it could lessen it.

5930. As you said before, it might have created some individual distress?—No doubt it has done so.

5931. But nationally it has not produced any effect?—No; all that I can charge upon the railways is, the difference between keeping a number of labourers upon good wages and keeping them upon the poor rates.

5932. Mr. Hume.] Did the Committee rightly understand you to say, that the existence of the Act of 1844, restraining that discretion which bankers had formerly exercised in their issues, had, in effect, aggravated the panic which took place in 1847?—I think it did so; I should say that what would otherwise have been simply a monetary pressure became panic.

5933. You have stated, that the restoration of confidence is important to prosperity and the restoration of matters to their former state?—It is absolutely essential.

5934. Do you consider that a repeal of that portion of the Act of 1844, and of the Act of 1845 which limits the discretion of bankers in England, Scotland and Ireland, would have the effect of restoring confidence?—I think so; if another time came like 1847, I think it would do so. What I complain of in the Act of 1844 is, that it has no effect except in a monetary pressure; it destroys confidence at the time of a pressure coming on, and when it is on, and there is a want of confidence for some time after, but in a short time the Act ceases to be operative, and people forget it.

5935. Would the repeal of that portion of the Act which is so restrictive be a primary object towards the restoration of confidence in the money market?—I think it would; I express that opinion as an individual.

5936. How long have you been in business?—About 20 years.

5937. During the time you have been in business, have you formed any opinion as to how far Acts of Parliament which interfere with men carrying on their business, as they in their discretion and knowledge think fit, have been productive of good to the community, or otherwise?—I do not think that they have been productive of good.

5938. As a banker, you are placed in a peculiar situation in the country; your credit and transactions must be accommodated to the peculiar circumstances of the district?—Yes.

5939. Are you not of opinion, that in every part of the country there are some peculiarities, connected either with agricultural, mining, or manufacturing districts, that require some peculiar attention to the management of money matters?—No doubt there are.

5940. If that is the case, is it your opinion that any Act, such as that of 1844 or of 1845, which restrains the discretion of all bankers, and would bring their conduct to one course, is contrary to the general principles on which commercial matters rest?—Decidedly.

5941. Do you think that there is any necessity for securing to the public the convertibility of the notes which country bankers may issue; supposing a country banker to issue 1,000*l.* worth of bank notes; before he issued these notes, as they would be paid into the hands of poor people and people of all classes, would you require the deposit of that amount of Exchequer bills, or some other security, in order to satisfy the community that there would be no loss, even though there might be a suspension of payment; do you think any such measure would be of use to the community?—I do not think it would be of any practical

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use, and I do not think it is called for by the public; but I speak with a strong feeling of interest as a country banker, and I would rather not give an opinion upon that point; as a country banker, I should hardly think it worth while to issue notes under those circumstances.

5942. As a country banker, you think you ought to be left at liberty to issue what amount of notes you consider necessary?—That has been the course hitherto, and it has answered very well.

5943. Do you consider that the restrictions and monopoly which the Bank of England has obtained tend to prevent or promote those irregularities which we have seen in the money market?—They certainly have not tended to prevent them.

5944. Do you think that one institution having the power of raising or lowering the rate of interest of money in the metropolis, in the manner in which the Bank of England hitherto have exercised that power, has had or may have a prejudicial effect?—I would rather not give an opinion upon the conduct of the Bank of England; I really do not feel myself competent to speak of their management.

5945. You only speak, therefore, as regards private bankers, and you think the community would be better served, and you would be better pleased to be allowed to exercise your own discretion?—That is the system under which we rose to prosperity; I doubt whether it could be improved upon.

5946. You are satisfied that the passing of the Act of 1844 has not had the effect of keeping the money-market more steady than it was before?—Certainly not.

5947. *Chairman.*] Is it your opinion that all country bankers should be allowed to issue notes without any restriction?—Yes, that is my individual opinion.

5948. Do you extend that to the Bank of England?—Yes.

5949. *Mr. Howe.*] Do you consider that your bank, or any other bank, can issue 10,000*l.* worth of notes at any time beyond what the commercial wants of the country require?—Certainly not.

5950. Is it not the demand of the country which regulates the amount of issue, and not the power of the bankers?—Undoubtedly.

5951. *Sir James Graham.*] You are dissatisfied with the Act of 1844; may I ask you what is your opinion of the Act of 1819?—That is a matter of history which I would rather not go into.

5952. Are you favourable or unfavourable to the convertibility of the note on demand?—I am decidedly favourable to it.

5953. Are you satisfied with the present standard of value?—I suppose I must be; I think it was a hardship at the time. But I am going into a matter upon which I do not feel myself competent to give an opinion.

5954. At the present moment you would not wish to have the standard touched, with a view to depreciate it?—No; I should be glad to see a silver legal tender.

5955. As a substitute for gold?—No, jointly with gold.

5956. Silver at its present value, as applicable to 40*s.* only?—Yes, I should like to see that.

5957. At 5*s.* 2*d.* an ounce?—Yes, I should like to see it at that; but I should be very glad to see it at its real value.

5958. Which should you like best?—I think I should like it best at 5*s.* 2*d.*

5959. At the option of the debtor?—Yes.

5960. *Mr. Hume.*] Do we rightly understand you, that under all circumstances it would be your wish to preserve the convertibility of all notes, by whomsoever issued, into gold on demand?—Gold or silver, or Bank of England notes; at present, I can pay my own notes in Bank of England notes.

5961. You find a great convenience in that?—Yes, very great.

5962. If you had not Bank of England notes, would you not keep a larger amount of gold?—Yes.

5963. Would not the alteration of that oblige bankers to keep a larger amount of gold?—Undoubtedly.

5964. And they would be better able to pay their notes in gold?—It would increase the pressure, whenever such a pressure came as we had last year.